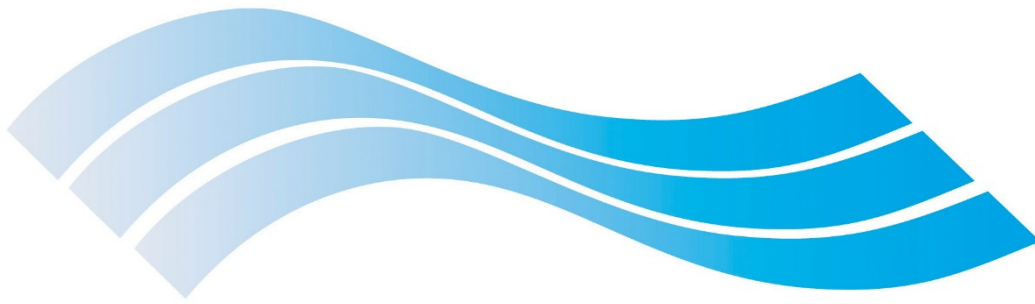


SACRAMENTO METROPOLITAN



AIR QUALITY
MANAGEMENT DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

SACRAMENTO, CALIFORNIA

Sacramento Metropolitan Air Quality Management District

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June 30, 2020

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Sacramento Metropolitan Air Quality Management District

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Introductory Section



January 15, 2021

LETTER OF TRANSMITTAL

Chairman, Governing Board and Residents of the
Sacramento Metropolitan Air Quality Management District

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Sacramento Metropolitan Air Quality Management District (District) for the year ended June 30, 2020, which includes the independent auditor's report. The CAFR is submitted in compliance with state law, which requires local governments to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The District assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive internal control framework that was established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The District asserts to the best of its knowledge and belief, that this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Eide Bailly LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2020 are free of material misstatement. The independent auditors concluded, based upon the audit, there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

The District's independent financial statement audit was part of a broader, federally mandated "Single Audit" designed to meet the Federal grantor agencies special needs. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, including special emphasis on Federal award compliance.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

Profile of the Sacramento Metropolitan Air Quality Management District

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District's Governing Board is composed of 14 members, including all five Sacramento County Supervisors, four members of the Sacramento City Council, one member each from the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the cities of Galt and Isleton. The Board appoints the agency's Executive Director/Air Pollution Control Officer and District Counsel.

The District is one of 35 local or regional air quality management districts in California. It is responsible for monitoring air pollution within the Sacramento region and for developing and administering programs to reduce air pollution levels to meet the health-based ambient air quality standards established by the state and federal governments. The District is also actively pursuing actions to reduce greenhouse gas emissions and promote low-carbon development. The U.S. Environmental Protection Agency (EPA) has designated the District as a part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest and includes four other local air districts. Roughly 63% of the SFNA’s population falls within the District’s boundaries.

Population in Sacramento Federal Ozone Nonattainment Area

County	SFNA portion of the County	Population		County in SFNA/Total SFNA ³
		County ¹	SFNA/County ²	
El Dorado	158,704	191,210	83%	6.5%
Placer	382,895	394,737	97%	15.6%
Sacramento	1,553,253	1,553,253	100%	63.0%
Solano	137,065	442,145	31%	5.6%
Sutter	3,729	103,580	4%	0.2%
Yolo	222,868	222,868	100%	9.1%
Total	2,458,514	2,907,793	-	100.0%

¹ 7/01/2020 estimate from California Department of Finance Demographic Research Unit <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-1/index.html>

² Calculation based on physical percentage of SFNA to the total county

³ Percentage values are rounded to one decimal point

Air quality in the SFNA is designated nonattainment for the federal ozone standards. The region is in attainment of the federal short-term particulate matter standards (PM_{2.5} and PM₁₀) and is under a requirement for a maintenance plan for each standard. A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and plenty of sunny days act to enhance smog formation and effectively trap pollutants in the Sacramento Valley Basin. The District Board approved a regional ozone State Implementation Plan for the 2008 national ozone standard and the Plan is projecting attainment by 2024. The Plan was submitted to EPA in 2018 and has been deemed complete and is pending formal EPA approval.

Most of the air and climate emissions in the Sacramento region come from mobile sources. These include motor vehicles, airplanes, locomotives, and other fossil fuel combustion engines and portable equipment. The category also includes “off-road” sources, such as construction, mining, and agricultural equipment. In 2019, mobile sources contributed roughly 43% of Volatile Organic Compounds (VOC) and 86% of Oxides of Nitrogen (NO_x) emissions, while stationary (industrial) sources contribute about 26% of VOC emissions and 11% of NO_x emissions in the region. VOCs and NO_x are ozone precursors. State and federal regulations coupled with local programs to modernize the vehicle fleet will help to reduce the impact of motor vehicle fuel and engine emissions on our air quality in the future. However, as general activity and expected growth in our region return and bring more people and vehicles, mobile sources will continue to be the dominant factor in the region’s on-going air pollution problem.

The District implements a broad range of programs and strategies to combat air pollution and accomplish its mission of meeting state and federal clean air and climate change standards. From the development of clean air rules and enforcement of industrial emission permits to land use planning and deployment of millions in public funding for incentives for clean air projects, the annual budget serves as the foundation for the District’s financial planning and control for its activities. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. The budget is organized by fund and division and is adopted on a budgetary basis that includes encumbrances and expenditures. All annual appropriations lapse at

fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

The District maintains budgetary controls through both signature authority and automated budget verification. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. As reflected in the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

The District's General Fund receives revenue from a variety of sources. Approximately 39% of its funding is derived from permit fees paid by stationary sources that emit air pollution; 22% from auto registration fees collected by the Department of Motor Vehicles (DMV) and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 26% from federal, local government and state subventions; 9% from sales tax; and 4% from other sources. The General Fund does not receive property tax support as is the case for some other air districts.

The District's five-year forecast continues to identify some significant funding gaps between revenues and expenditures, which will require attention by the District Board of Directors. This was the case even prior to the COVID pandemic effects. Additional resources are needed to maintain core and required programs and fulfill new state mandates. The imbalance is due primarily to the rising costs of doing business, such as employee services and capital expenditures, outpacing current revenue increases. For example, auto registration fees are not adjusted for inflation and several of the District's programs do not provide full cost-recovery.

To address the funding gap issue in the immediate term, the District streamlined many of its operations, scaled back some activities, held vacancies open, and "right-sized" funding for professional services and collaborations. The Fiscal Year 2019-20 savings from these actions was significant with the District returning \$4.4 million back to General Fund reserves.

Longer term, the District has developed a multi-prong strategy to secure new funding. Meanwhile, District staff will continue to seek and implement cost savings measures through in-depth costing analysis and identifying and implementing operational efficiencies, while continuing to work closely with the Board of Directors to implement new funding solutions to restore all programs and operations, such as stationary and air monitoring programs, as well as to implement state carbon Cap and Trade investments in the capital region. In general, new funds are needed to ensure the integrity of the District's clean air efforts in order to support the region's ability to remain eligible for federal transportation funding and continue to implement state requirements for low-carbon development and greenhouse gas (GHG) reductions, particularly in the transportation sector.

Major Initiatives

Advancing the Region's Decarbonization Efforts

California's climate change program remains second to none. As it continues to evolve and expand, regional agencies like the District have a key and growing role to play in implementing the state's climate agenda. And California's climate sphere of influence is only expected to grow under the incoming Biden/Harris Administration. The District is active in climate change mitigation, adaptation, and regional coordinated planning. For mitigation of GHG emissions from one of the largest sources, the District will continue to promote and explore ways to expand its efforts to invest in cleaner, lower-carbon vehicle and equipment technologies. The ultimate goal is near-complete electrification of transportation and the transition to a sustainable transportation energy future enabled by renewable electricity and hydrogen as new sustainable transportation fuels and batteries and fuel cells for motive power.

The District is also at the forefront of actionable research and regional collaboration on climate change adaptation and resilience. The District conducted a study to understand the heat island effect in the region and develop practical adaptation plans. The District is also committed to support new efforts by partner entities geared towards a comprehensive and coordinated regional climate change strategy for the Sacramento region. Examples of emerging opportunities where the District intends to engage and contribute its unique perspectives on air quality, public health, and low-carbon development include the Sacramento Municipal Utility District's (SMUD) recently adopted climate emergency declaration and its latest commitment to absolute zero carbon electricity generation by 2030, the California Mobility Center, the Sacramento and West Sacramento Mayors' Climate Commission and the Sacramento Area Council of Governments' (SACOG) green programs.

Attainment of the National Ambient Air Quality Standards

To fulfill the District's mandated goal for protecting public health, the District will continue to prioritize work toward attainment of the National Ambient Air Quality Standards (NAAQS). The District is working through the process for showing attainment with the various ozone standards: this includes redesignation for replaced ozone standards, the 1997 1-Hour standard, and attainment with the 1997 and 2008 8-Hour standard by our designated attainment dates. The District and regional partners are currently developing our State Implementation Plan (SIP) for the most recent 2015 standard.

A new paradigm has also emerged due to the unprecedented impact in the region from wildfire smoke. Assembly Bill 661 (K. McCarty, Wildfire Smoke Air Pollution Emergency Plan) calls on the District to work in coordination with the Sacramento County Health Officer and other entities to develop a plan for improved coordination and access to information related to responding to wildfire air pollution events. Coordination and outreach work is ongoing, with the goal of having the plan and other tools and resources finalized in 2021. In addition to wildfires, controlling pollution from wood smoke on days of expected poor air quality in the fall and winter is essential to maintaining the federal daily PM_{2.5} standard. Consequently, while a significant challenge and a strain on District resources, the District's Wood Smoke Program, primarily the "Check Before You Burn" program, continues to be a priority.

Another important and relatively new District program is the statewide Community Air Protection Program (CAPP). Assembly Bill 617 (C. Garcia, Chapter 136, Statutes of 2017) created the CAPP, which is a paradigm shift in air quality management in California. It calls for new state and local programs to address the health burdens from exposure to highly localized air pollution more effectively in the low-income and disadvantaged communities that have been most disproportionately impacted. The program launches several new requirements for air districts including community-level air quality monitoring, development of emission reduction plans, accelerated review of pollution controls on industrial facilities, and enhanced reporting requirements and penalties. Importantly, AB 617 also designates state funds for financial incentives (i.e., subsidies for cleaner technology) that are intended primarily to achieve sorely needed emission reductions in priority AB 617 communities. This funding also provides an important leveraging opportunity to help the region advance on its broader economic and social goals.

The District also has in place a successful, long-standing program of financial incentives for regional emission reductions. Over the last two decades, the District has administered hundreds of millions of dollars in state and local investments towards cleaner vehicles, engines, and equipment in the region, generating substantial reductions in pollution emissions. The District will proactively pursue additional opportunities to bring more federal, state and local investments into the region, allowing the District to expand its efforts to clean up trucks, tractors, buses, locomotives, and other sources that contribute significantly to PM and other pollution.

Advocacy

Advocating before the state legislature and other decision makers for the District's priorities is a key strategy. Significant legislative attention will be necessary on several incentive programs that will need to be re-authorized in the next two years like the Carl Moyer Program. The District expects to continue to strengthen its advocacy voice in order to ensure the adequate consideration of the Sacramento region's priorities when funding decisions are made by the state administration and the legislature. District staff, expertly aided by the District's legislative advocate Arc Strategies, is expanding engagement directly with members of the legislature, particularly the Sacramento delegation, flagging legislation, and identifying opportunities for new legislative action. This process will be an on-going effort and a standard business practice for the District.

Partnerships

The District does not go about its business alone; it benefits from growing public-private partnerships with deep roots in the business community, health and environmental advocates, and the community it serves. These partnerships help convey the importance of District programs for the region, and the District plans to expand on these efforts, continuing to work with and support partnerships with entities like the Local Government Commission, Breathe California - Sacramento Region, and the Cleaner Air Partnership (CAP). The CAP, administered by Valley Vision, is a long-standing key public-private regional effort that encompasses strong voices like the Sacramento Metro Chamber of Commerce and leading industry entities like Teichert, Union Pacific, Sutter Health, and SMUD. For statewide coordination with its peers, the District is an active member in a leadership role with the California Air Pollution Control Officers Association (CAPCOA). This is an important association that advocates for the general interests of California's 35 local air quality management districts before the legislature, the administration, and various agencies at the state and federal level. The District is also prioritizing the strengthening of bonds with sister agencies in the region like SACOG and Sacramento Regional Transit. All these agencies are linked by transportation and, as a sustainable future for the Sacramento region is contemplated, there is a strong impetus and a genuine desire for coordination and mutual support.

Capital Project – Air Monitoring Network

The ambient air quality monitoring network is a critical District infrastructure, and improvements are planned for various monitoring stations to remain in compliance with all federal requirements for air quality monitoring. The District is working on the replacement of two aging air monitoring structures over the next three years. Stations are used to collect regulatory air quality monitoring data for criteria pollutants to determine compliance with the NAAQS and to support regional air quality forecasting and several other air quality management efforts. Transportation General Conformity is the federal regulatory process for preventing major federal actions or projects from interfering with air quality planning goals. Conformity provisions ensure that federal funding and approval are given only to those activities and projects that are consistent with or "conform to" the state's air quality implementation plan (SIP). Conformity with the SIP means that major federal actions will not cause new air quality violations, worsen existing violations, or delay timely attainment of the NAAQS. Senate Bill 375 (Steinberg, Transportation Planning: Travel Demands, Sustainable Communities Strategy: Environmental Review) established the California Air Resources Board's (CARB) Sustainable Communities and Climate Protection Program. This program addresses whether a region's transportation plans will meet the GHG emissions budget set by the CARB for light-duty vehicles. A federally approved air quality SIP is a prerequisite for an approvable transportation plan. Therefore, the District's air quality monitoring network and planning activities are mission-critical. The network is also an important foundation for additional localized monitoring under Community Air Protection Program AB 617. The replacement stations will meet the latest federal

monitoring requirements and replace two of the District's oldest stations. In addition, a new mobile air monitoring laboratory is scheduled to be added to the existing air monitoring network as part of the District's AB 617 efforts.

Long-term Financial Planning

Management annually develops and reviews a five-year financial projection that evaluates potential internal, external and programmatic elements that could affect revenues and expenditures over the next fiscal year and beyond. A few notable elements are discussed in this section.

The COVID-19 pandemic has created significant economic uncertainty in the region. As a result, the District expects there will be impacts to the financial status of the District in Fiscal Year 2020-21 and beyond. The full extent of the impact is unknown at this time and will be closely tracked per Board direction throughout the coming year.

Prior to COVID, the 2019 annual unemployment rate in Sacramento County averaged 3.9%, down from 2018 which averaged 4.7%. As of September 2020, the unemployment rate increased to 9.8% due to the pandemic. As business activity and employment rates return to pre-COVID levels, revenues from permits and fees are expected to increase slightly over the next few years. For Fiscal Year (FY) 2020-21, the District Board deferred any increase of District fees until July 1, 2021. In future years and with Board approval, permit fees may be adjusted for CPI to help keep pace with rising costs.

The Sacramento Transportation Authority anticipates an average growth rate of 2.1% in sales tax revenues from Measure A over the remaining life of the program. Additionally, DMV (AB923) and Carl Moyer Program funding would have ended in 2015, however, with the passage of Assembly Bill 8 these funding sources were reauthorized until 2024. As discussed previously, re-authorization of these and other clean air funding programs will be the most important legislative priority for the coming years.

In the past few legislative sessions, a significant amount of revenue was directed to CARB for new and existing mobile source emission reduction programs and to address the disproportionate impacts of air pollution in environmental justice communities. The District received some funding for these programs in the past. However, continuation of these state funded grants is uncertain, and the District will need to be vigilant to adjust to potential changes in state grant funding levels.

Federal funding for "EPA 105" and "EPA 103" grants for ambient air quality monitoring and related activities, which has historically been a stable revenue source, is expected to remain consistent through FY 2021-22. It is important to continue partnering with SACOG and other partners to ensure that critical District programs are included in the Metropolitan Transportation Improvement Plan so that the Congestion Mitigation and Air Quality (CMAQ) funding, which is funded by federal sources, for these programs is not interrupted.

Expenditures for the General Fund are expected to gradually increase to address 1) major capital improvements, most notably, non-recurring expenditures to rehabilitate and replace several aging air monitoring stations and improve the District's technology resources, 2) rising labor costs as they are adjusted for CPI, 3) gaps in implementation funding for important state community and carbon Cap and Trade and other grant programs, and 4) long-term pension liabilities. District staff has worked closely with the Board of Directors to identify potential funding solutions to ensure sufficient revenue is generated to meet district responsibilities and these projected expenditures.

The Internal Service Fund (Covell Building) is expected to be stable over the next five years. As the primary asset in the Fund, the District's headquarters building is relatively new, therefore, annual maintenance is anticipated to be consistently low during this period. Moving forward, major rehabilitation and replacement projects will be identified and included in the long-term capital expenditure plan along with

expected funding sources. The main funding source for capital expenditures in the Covell Building Fund is rental income. The existing tenant lease agreements expire in FY 2022-23 and in FY 2023-24; the District intends to renew the lease agreements or secure a new tenant to backfill the vacancy.

The Special Revenue Fund serves to track restricted revenue sources, primarily various emission technology and community air protection incentive grants. While the next few years are expected to be relatively stable with respect to the emission technology grant funds, there is greater uncertainty regarding continued funding for the community air protection program. As mentioned above, the District will continue to research funding options to poise itself to receive and leverage additional grant funding. There are no capital expenditures associated with this fund.

The District has a capital replacement and improvement planning process in which it budgets annually for identified projects. The District is developing a long-term Asset Management Program to allow for improved financial planning for its larger assets and for which the District intends to more formally designate funds for these projects in future budgets.

Acknowledgements

The District successfully participates in the Government Finance Officers Association's (GFOA) award programs for financial reporting and for budget presentation. In addition to receiving the Certificate of Achievement for Excellence in Financial Reporting (CAFR Award) for the FY 2018-19 CAFR, the District also received the Distinguished Budget Presentation Award for its FY 2020-21 Budget Book.

The preparation of the CAFR was made possible by the dedicated services of the finance and management staff of the District's Administrative Services Division. These members have our sincere appreciation for the contribution made in the preparation of this report.

Recognition is also given to the Governing Board for their leadership and support, and to all employees of the District who continue to improve operations to accomplish the District's mission in a fiscally responsible manner.

Respectfully submitted,



Alberto Ayala, Ph.D., M.S.E.
Executive Director/Air Pollution Control Officer



Jamille Moens
Administrative Services Division Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sacramento Metropolitan Air Quality
Management District, California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

GOVERNING BOARD

BOARD OF DIRECTORS

Eric Guerra, Chair
Council Member, City of Sacramento

Sue Frost, Vice Chair
Vice Chair, Sacramento County Board of Supervisors

Larry Carr
Council Member, City of Sacramento

Bret Daniels
Council Member, City of Citrus Heights

Roger Gaylord III
Council Member, City of Folsom

Steve Hansen
Council Member, City of Sacramento

Jeff Harris
Vice-Mayor, City of Sacramento

Patrick Kennedy
Sacramento County Board of Supervisors

Paige Lampson
Council Member, City of Galt

Steve Ly
Mayor, City of Elk Grove

Don Nottoli
Sacramento County Board of Supervisors

Susan Peters
Sacramento County Board of Supervisors

Phil Serna
Chair, Sacramento County Board of Supervisors

Donald Terry
Council Member, City of Rancho Cordova

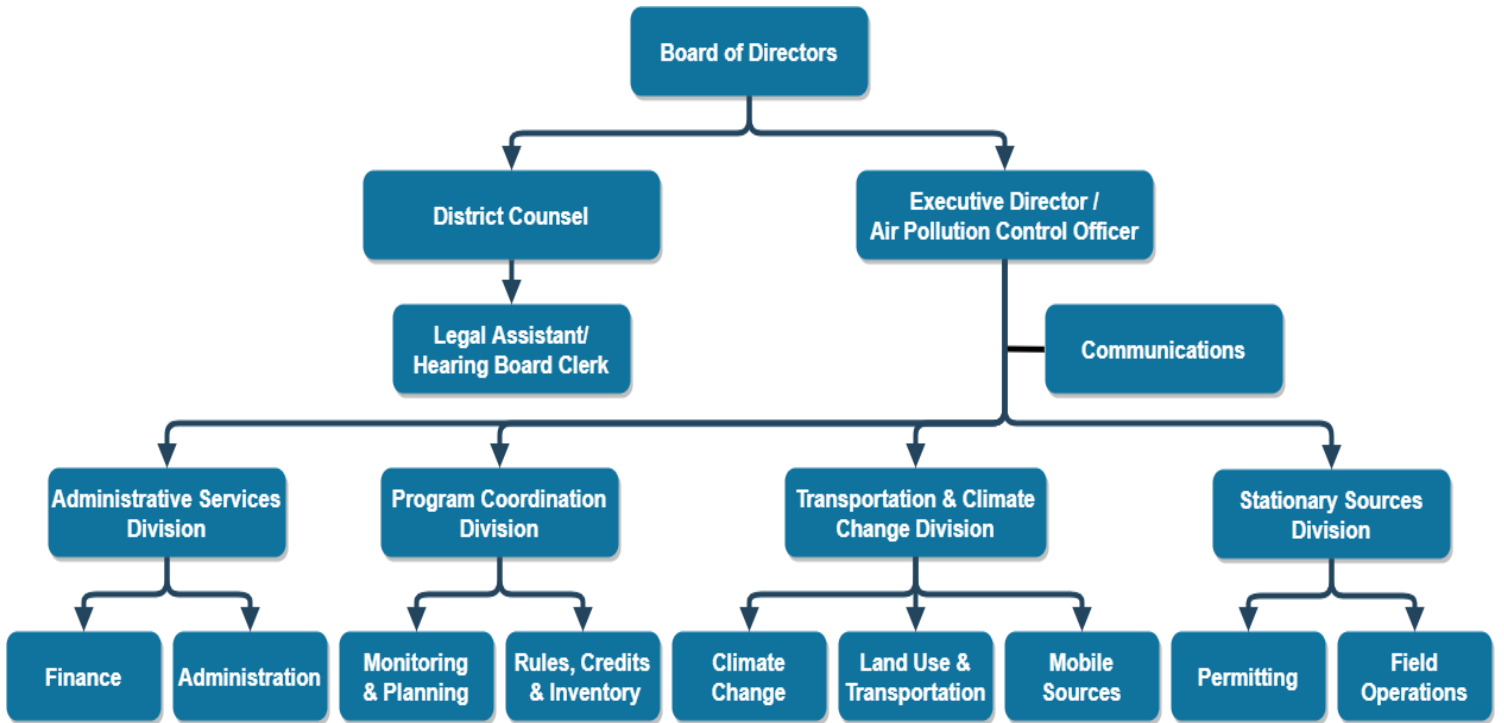
**Executive Director /
Air Pollution Control Officer**

Alberto Ayala, Ph.D., M.S.E.

District Counsel

Kathrine Pittard

ORGANIZATIONAL CHART



Financial Section



Independent Auditor's Report

To the Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of, and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the net OPEB liability and related ratios, the schedule of OPEB contributions, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California
January 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Comprehensive Annual Financial Report provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2020. Please read this document in conjunction with the transmittal letter located in the introductory section and the District's financial statements which follow this discussion.

Financial Highlights

The following are the highlights for the fiscal year ended June 30, 2020:

- The District's net position was \$51.9 million, a 47% or \$16.6 million increase over the prior year.
 - \$13.2 million of the increase is primarily due to restricted special revenue grant funds received during the year with the related expenditures anticipated to occur in future years
 - Approximately \$1.3 million is due to the timing of the receipt of general state grant funds at the end of the year that will be spent in the next fiscal year.
 - Fines, Forfeitures and Penalties totaled \$0.7 million
 - Investment income equaled \$1.0 million for the year
 - The Proprietary Fund's net position increased by \$0.5 million
- The District's revenues totaled \$51.5 million and increased \$11.5 million or 29% from the prior year, primarily due to increases in incentive grant revenue.
- The District's total expenses of \$34.8 million were \$1.0 million or 3% more than the prior year, mainly due to higher salaries and benefits offset by less incentive grant expenditures.
- Total assets increased by \$17.5 million over the prior year, mainly due to an increase in cash. This increase was due to restricted grant revenues received during the year that will be disbursed in future years. These funds are invested in the Local Area Investment Fund.
- Deferred outflows of resources increased by about \$0.4 million, due primarily to an increase related to Other Post-Employment Benefits (OPEB).
- Total liabilities increased by \$1.2 million, due to an increase in the net pension and OPEB liabilities, offset by a decrease in long-term debt.
- Deferred inflow on pensions increased less than \$0.1 million from the prior year.

Overview of Financial Statements

The District's Comprehensive Annual Financial Report (CAFR) is comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) footnotes and required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide readers with the overall financial position and activities of the District. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets held, liabilities owed and deferred inflows/outflows of resources of the District. Over time, increases or decreases in net position may serve as an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Activities includes all current year revenues and expenses regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave. In the Statement of Activities, the air quality management functions are categorized as Business Compliance, Air Monitoring, Sustainable Land Use, Clean Transportation and Mobility Innovation and Community Health Protection.

The District reports the Proprietary Fund as an Internal Service Fund, since the main source of revenue for the fund is from an internal source rather than external sources.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the governmental funds focus on near-term financing requirements, it is useful to compare the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Other Information

In addition to the basic financial statements and accompanying notes, the District also presents certain supplementary information and a statistical section that covers revenue, expenditure and fund balance trends for the past 10 years. Furthermore, the District presents a Schedule of Expenditures of Federal Awards (SEFA) in the Federal Award Section. The SEFA, under Uniform Guidance (2 CFR 200), is a supplemental schedule to the financial statements that a non-federal entity is required to produce when it is subject to the single audit requirement. The single audit requirement is triggered when the federal expenditures reported on the SEFA exceed \$750,000 or more over the non-federal entity's fiscal year. The District meets the single audit criteria and is responsible for arranging for the audit, preparing the appropriate financial statements, taking corrective action on audit findings (if any), and providing the auditor with access to all information required to perform the audit.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government’s financial position. In the District’s case, assets exceeded liabilities by \$51.9 million at the end of fiscal year 2019-20 (FY19-20). The schedule below presents a condensed Statement of Net Position as of June 30, 2020 compared with the prior fiscal year.

**Condensed Statement of Net Position
(in thousands)**

	Governmental Activities	
	2019	2020
<u>Assets and Deferred Outflows of Resources</u>		
Current and Other Assets	\$ 43,022	\$ 60,314
Capital Assets	5,102	5,282
Total Assets	48,124	65,596
Deferred Outflows of Resources	3,760	4,148
<u>Liabilities and Deferred Inflows of Resources</u>		
Current Liabilities	2,805	2,695
Non-current Liabilities	13,225	14,489
Total Liabilities	16,030	17,183
Deferred Inflows of Resources	620	702
<u>Net Position</u>		
Net Investment in Capital Assets	2,246	2,745
Restricted	36,910	51,881
Unrestricted	(3,922)	(2,768)
Total Net Position	\$ 35,234	\$ 51,859

Sacramento Metropolitan Air Quality Management District
Management Discussion and Analysis
June 30, 2020

The largest portion of the District’s net position, \$51.9 million, consists of resources subject to external restrictions on how they may be used. An additional \$2.7 million of the total net position reflects its net investment in capital assets (e.g. land, buildings, and equipment less any related debt used to acquire those assets that is still outstanding). The remaining portion of the District’s net position is a deficit of \$2.8 million related mainly to the net pension liability.

The total net position increased by \$16.6 million during the current fiscal year. Of this amount, \$15.0 million is restricted and \$1.2 million is unrestricted. The increase in the restricted net position is due to additional grant revenue received for incentive projects. The increase in the unrestricted net position is primarily due revenue from fines, forfeitures and penalties. Net investment in capital assets increased by \$0.5 million mainly due to the purchase of grant-related air monitoring laboratory equipment.

The following schedule shows revenues by major source, expenses by function, and changes in net position for the fiscal years ended June 30, 2019 and June 30, 2020.

Condensed Statement of Net Activities
(in thousands)

	Governmental Activities	
	2019	2020
Revenues		
Charges for Services	\$ 8,732	\$ 9,783
Operating Grants and Contributions	23,171	33,261
General Revenues	7,308	7,413
Interest Income	730	1,008
Gain (Loss) on Disposal of Fixed Assets	-	(7)
Total Revenues	39,941	51,458
Expenses		
Business Compliance	6,763	6,863
Air Monitoring	3,650	4,100
Sustainable Land Use	2,345	2,459
Clean Transportation and Mobility Innovation	18,822	18,994
Community Health Protection	2,066	2,249
Unallocated Depreciation	102	73
Interest on Long-Term Debt	104	95
Total Expenses	33,850	34,833
Change in Net Position	6,091	16,625
Beginning Net Position	29,143	35,234
Net Position - Ending Balance	\$ 35,234	\$ 51,859

Governmental Activities

Revenues for total governmental activities increased by \$11.5 million over the prior year primarily due to grant revenue received in the year restricted for incentive projects that will be disbursed in subsequent years, as well as charges for services (mainly permit fees) and fines, forfeitures and penalties.

Overall expenses for governmental activities increased by \$1.0 million mainly due to increases in salaries and benefits, offset by a decrease in special revenue fund grant disbursements attributable to the timing of clean air technology incentive program payments. For example, incentive grant funds may be received in one period and expensed in another period.

Proprietary Fund

The Proprietary Fund (Covell Building Fund) is classified as an Internal Service Fund since most of the fund's revenue is derived from rent paid by the District. The net income of the fund is included as an offset to expenses in the current year Statement of Activities.

Net income from the Proprietary Fund increased the District's net position at June 30, 2020 by \$0.5 million compared to \$0.3 million for the prior year. Highlights for the FY 19-20 fund results are as follows:

- Operating revenues from the building totaled \$1.2 million, an increase of 12% over the prior year mainly due to a full year of rental income for a tenant lease; that lease was in effect for only a portion of the prior year. Operating expenses for the building were \$0.7 million for the year, consistent with the prior fiscal period. Interest expense totaled \$0.1 million.
- Included in the lease payments is funding to build a reserve to support long-term capital improvements for the building.
- The District made a principal payment of \$315,000 in FY 19-20 for the Certificates of Participation. Next year, the principal payment will be \$325,000.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District has two governmental funds, the General and Special Revenue Funds. Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements.

Sacramento Metropolitan Air Quality Management District

Management Discussion and Analysis

June 30, 2020

The General Fund is the District's chief operating fund. At the end of the FY19-20, the total fund balance of the General Fund was \$16.7 million, an increase of \$4.4 million over the prior year. The Nonspendable Fund Balance decreased \$0.1 million due to reduced prepaid expenses as of June 30, 2020. The Restricted Fund Balance increased by \$3.0 million from the prior year mainly due to the timing of the receipt of grant funds and their disbursement in a subsequent period. Assigned Fund Balance decreased \$0.9 million year-over-year and is used to set aside funds for a projected budgetary deficit in FY 20-21. The Unassigned Fund Balance increased \$2.3 million from the prior year primarily due to fines, forfeitures and penalties revenue in FY 19-20 and the reclassification (reduction) of Nonspendable and Assigned Fund balances at the end of the year.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total General Fund expenditures. Overall, the total fund balance represents approximately 91% of the total FY 19-20 General Fund expenditures, an improvement over the prior year. The growth of the fund balance has been intentional over the past several years to address potential economic downturns or other unanticipated factors, and to implement District priorities for which near-term structural deficits are projected in the event no new revenue is received.

The Special Revenue total fund balance increased \$13.2 million at June 30, 2020 over the prior year. This increase was due to grant revenue received in the current fiscal year restricted for incentive projects that will be disbursed in subsequent years.

Budgetary Highlights

General Fund revenues were \$2.8 million more than the Approved Budget primarily due to the timing of receipt of state and federal grant monies during the year that will be disbursed in subsequent fiscal periods, and higher than anticipated revenue for fees and licenses and fines, forfeitures and penalties. Expenses for the General Fund were less than planned by \$4.6 million mainly due to position vacancies, reduced spending on professional services and communication/public outreach, and capital project deferrals.

For the Special Revenue Fund, revenue was \$15.0 million less than budget while expenses were \$19.4 million lower than budget primarily due to the timing of receipt of incentive dollars and the payment of incentive amounts in subsequent years. The Special Revenue Fund excess of revenues over expenditures was \$4.4 million more than the Approved Budget mainly due to timing of when incentive projects funds are awarded and paid to participants. Many of the Special Revenue grants are multiple year awards, in which funds may be received in a single year and expended over multiple years.

Revenue for the Internal Service Fund was slightly below plan and expenditures were \$0.2 million less than budget, primarily due to a delay in capital expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of FY 19-20, the District's net investment in capital assets for its governmental activities was \$2.7 million (net of accumulated depreciation and any related debt used to acquire those assets that is still outstanding). This investment in capital assets includes land, building, office equipment, laboratory equipment, and air monitoring stations. The total investment in capital assets for the current fiscal year was \$0.5 million. Additional information on capital assets can be found in Note 5 under the Notes to the Basic Financial Statements section.

Long-term Debt

At the end of FY 19-20, the District had outstanding bonds secured by the District's administrative building. Total debt outstanding as of June 30, 2020 was \$2.5 million. Based on the current payment schedule, these bonds will be paid-off by the end of 2027. Additional information on long-term liabilities can be found in Note 6 under the Notes to the Basic Financial Statements section.

Next Year's Budget

Revenues for the 2020-2021 fiscal year for the General Fund are budgeted to decrease by approximately \$2.1 million, with reductions expected mainly in state and federal grant revenues due to the timing of grant funds receipt and a decrease in fines, forfeitures and penalties revenue. Expenses for the General Fund are budgeted to increase \$4.1 million over the actual amounts expended in FY 19-20. The budget anticipates an increase of \$1.9 million for salaries and benefits reflecting the District's plan to fill approved open positions in FY 20-21 and a cost of living adjustment for overall wages. Services and Supplies are expected to increase \$2.2 million, primarily for expenditures related to communication/public outreach and professional services. The budget anticipates an increase in capital spending of \$0.5 million mainly related to construction improvements for an air monitoring station and air monitoring equipment for the AB 617 project. Finally, interfund credits (offsets to expense) are planned to increase by \$0.5 million over FY 19-20 actuals. Overall, a \$1.7 million use of fund balance for the General Fund is planned for FY 20-21.

Special Revenue fund revenues are budgeted at \$27.2 million, a decrease of \$2.0 million from FY 19-20 actual revenue due to the anticipated timing in the receipt of grant revenue. Expenditures are budgeted at \$32.5 million, an increase of \$16.6 million over the prior year. The increase is mainly due to the expectation of disbursing more emission reduction incentive awards and related payments in FY 20-21. Overall, a \$5.3 million use of fund balance is budgeted for FY 20-21.

The Internal Service Fund revenue budget increased \$0.1 million from the FY 19-20 actual amounts, mainly related to rental income. Expenses are planned to be stable with those of FY 19-20. This fund is budgeted to break even for the year on operating expenses, capital expenditures and debt service.

Economic Factors

As of June 30, 2020, foreseeable economic or political conditions that may influence the financial position of the District include changes in the state and local economy due to the COVID-19 pandemic, increases in retirement rates, and decreases in the CalPERS discount rate. The effects, if any, of these events are not calculable at this time.

Regarding revenues, the Department of Motor (DMV) registration records are showing a slight increase in the number of registered vehicles. Therefore, the District is anticipating DMV funding to stay relatively constant over the next few years. In addition, Measure A sales tax revenue is expected to remain relatively stable for the next two years and then increase at a rate of approximately 2% for the long-term outlook. However, it is unclear what the short- and long-term effects of the COVID-19 pandemic might be in terms of the local economy and impacts on government and consumer spending.

With the passage of AB 617, to address the disproportionate impacts of air pollution in environmental justice communities, and new California climate investments for innovative efforts to mitigate air and greenhouse gas pollution, the District may see additional operating and incentive funds to implement these mandates in the future. Many of these programs, however, require matching or supplemental funding and, therefore, the District is evaluating strategies to ensure sufficient revenue streams to implement these programs and leverage millions of dollars in state funding. Moreover, due to the COVID-19 pandemic's financial impact on the state of California, the level of continued state grant funding for these programs is uncertain. Alternatively, the 2020 Presidential election results may bring new funding opportunities given the climate priorities of the incoming administration.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information may be emailed to finance@airquality.org or be addressed to:

Sac Metro Air District
777 12th Street, Ste 300
Sacramento CA 95814
Attn: Finance Department

Basic Financial Statements

Sacramento Metropolitan Air Quality Management District

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 55,633,428
Restricted cash and cash equivalents	416,207
Receivables	4,166,346
Prepays	98,462
Total current assets	60,314,443
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	1,420,912
Other capital assets - net of depreciation	3,860,940
Total non-current assets	5,281,852
Total assets	65,596,295
Deferred Outflows of Resources	
Deferred outflows related to pensions	3,451,057
Deferred outflows related to OPEB	696,922
Total deferred outflows of resources	4,147,979
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,138,987
Accrued wages and benefits payable	357,857
Compensated absences - due within one year	872,665
Certificates of participation - due within one year	325,000
Total current liabilities	2,694,509
Non-current liabilities	
Deposits from others	23,147
Compensated absences - due in more than one year	339,841
Certificates of participation - due in more than one year	2,211,489
Net OPEB liability	1,210,235
Net pension liability	10,703,922
Total noncurrent liabilities	14,488,634
Total liabilities	17,183,143
Deferred Inflow of Resources	
Deferred inflows related to pensions	702,448
Total deferred inflows of resources	702,448
Net Position	
Net investment in capital assets	2,745,363
Restricted for:	
Debt Service	416,207
Air Quality Programs	51,465,150
Unrestricted	(2,768,037)
Total net position	\$ 51,858,683

Sacramento Metropolitan Air Quality Management District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
Business Compliance	\$ 6,863,473	\$ 8,268,370	\$ 98,128	\$ 1,503,025
Air Monitoring	4,099,677	506,363	3,965,427	372,113
Sustainable Land Use	2,459,163	153,625	481,535	(1,824,003)
Clean Transportation and Mobility Innovation	18,993,969	15,312	27,888,607	8,909,950
Community Health Protection	2,249,228	838,971	827,702	(582,555)
Interest on long-term debt	94,544	-	-	(94,544)
Unallocated depreciation	72,812	-	-	(72,812)
Total primary government	<u>\$ 34,832,866</u>	<u>\$ 9,782,641</u>	<u>\$ 33,261,399</u>	<u>8,211,174</u>
General revenues:				
DMV fees				5,120,635
Sales tax				1,938,341
Grants - not restricted to specific activities				354,437
Interest income				1,007,653
Gain (loss) on disposal of fixed assets				(7,436)
Total general revenue				<u>8,413,630</u>
Change in net position				<u>16,624,804</u>
Beginning net position				<u>35,233,879</u>
Net Position - ending balance				<u>\$ 51,858,683</u>

Sacramento Metropolitan Air Quality Management District

Balance Sheet – Governmental Funds

June 30, 2020

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Assets			
Cash and equivalents	\$ 15,176,850	\$ 38,407,281	\$ 53,584,131
Accounts receivable	2,747,519	1,235,786	3,983,305
Interest receivable	35,583	142,975	178,558
Prepays	98,462	-	98,462
	<u>18,058,414</u>	<u>39,786,042</u>	<u>57,844,456</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 699,508	\$ 408,791	\$ 1,108,299
Accrued wages and benefits payable	357,857	-	357,857
	<u>1,057,365</u>	<u>408,791</u>	<u>1,466,156</u>
Deferred inflows of resources			
Unavailable revenues	277,741	-	277,741
Fund balance			
Nonspendable:			
Prepays	98,462	-	98,462
Restricted for:			
Air Quality Programs	12,588,465	39,377,251	51,965,716
Assigned to:			
Projected budgetary deficit	1,737,431	-	1,737,431
Unassigned	2,298,950	-	2,298,950
	<u>16,723,308</u>	<u>39,377,251</u>	<u>56,100,559</u>
	<u>18,058,414</u>	<u>39,786,042</u>	<u>57,844,456</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,058,414</u>	<u>\$ 39,786,042</u>	<u>\$ 57,844,456</u>

Sacramento Metropolitan Air Quality Management District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Fund balances - total governmental funds \$ 56,100,559

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 3,430,048	
Accumulated depreciation	(2,057,618)	
		1,372,430

Deferred inflows relating to unavailable revenues: In governmental funds, deferred inflows are recorded resulting from activities in which revenues were earned but funds were not available.		277,741
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(10,703,922)	
Net OPEB Liability	(1,210,235)	
Compensated absences payable	(1,212,506)	
		(13,126,663)

Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources relating to pensions	3,451,057	
Deferred outflows of resources relating to OPEB	696,922	
Deferred inflows of resources relating to pensions	(702,448)	
		3,445,531

Internal service funds are used by management to charge the costs of certain activities to individual governmental funds. The assets and liabilities of the internal service fund is therefore included in governmental activities in the statement of net position.		3,789,085
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Net position of governmental activities		\$ 51,858,683
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Sacramento Metropolitan Air Quality Management District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

Revenues:	<u>General</u>	<u>Special Revenue Fund</u>	<u>Total Governmental</u>
Sales Tax	\$ 1,938,341	\$ -	\$ 1,938,341
Fees and Licenses	8,823,399	-	8,823,399
Intergovernmental:			
Local Government	24,604	-	24,604
State	8,717,123	25,561,536	34,278,659
Federal	2,355,903	2,658,930	5,014,833
Fines, Forfeitures, and Penalties	667,716	74,554	742,270
Other	58,605	77,324	135,929
Investment Income	185,517	781,003	966,520
	<u>22,771,208</u>	<u>29,153,347</u>	<u>51,924,555</u>
Total revenues	22,771,208	29,153,347	51,924,555
Expenditures:			
Current:			
Business Compliance	6,579,044	-	6,579,044
Air Monitoring	3,798,537	-	3,798,537
Sustainable Land Use	2,383,320	-	2,383,320
Clean Transportation and Mobility Innovation	2,914,775	15,906,187	18,820,962
Community Health Protection	2,198,364	-	2,198,364
Capital Outlay	507,044	-	507,044
	<u>18,381,084</u>	<u>15,906,187</u>	<u>34,287,271</u>
Total expenditures	18,381,084	15,906,187	34,287,271
Net change in fund balances	4,390,124	13,247,160	17,637,284
Fund balances, July 1, 2019	<u>12,333,184</u>	<u>26,130,091</u>	<u>38,463,275</u>
Fund balances, June 30, 2020	<u>\$ 16,723,308</u>	<u>\$ 39,377,251</u>	<u>\$ 56,100,559</u>

Sacramento Metropolitan Air Quality Management District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 17,637,284
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded in the current period as well as the loss on the retirement of capital assets.	498,755
Unavailable revenues in the Statement of Activities do not provide current financial resources and are not reported as revenues in the governmental funds' statements.	(500,569)
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(200,671)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	(1,131,435)
OPEB: In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	23,180
Changes in long-term compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore they are not reported as expenditures in governmental funds.	(181,063)
The net revenue of the internal service funds is reported with governmental activities.	<u>479,323</u>
Changes in net position of governmental activities	<u><u>\$ 16,624,804</u></u>

Sacramento Metropolitan Air Quality Management District
Statement of Net Position – Proprietary Funds
June 30, 2020

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 2,049,297
Restricted cash and cash equivalents	416,207
Interest receivable	4,483
Total current assets	2,469,987
Non-Current Assets:	
Capital assets:	
Land and other non-depreciable assets	1,086,652
Other capital assets - net of depreciation	2,822,770
Total non-current assets	3,909,422
Total assets	6,379,409
Liabilities	
Current liabilities:	
Accounts payable	30,688
Certificates of participation - due within one year	325,000
Total current liabilities	355,688
Non-current liabilities:	
Deposits from others	23,147
Certificate of participation, due in more than one year	2,211,489
Total noncurrent liabilities	2,234,636
Total liabilities	2,590,324
Net Position	
Net investment in capital assets	1,372,933
Restricted for:	
Debt Service	416,207
Unrestricted	1,999,945
Total net position	\$ 3,789,085

Sacramento Metropolitan Air Quality Management District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	Governmental Activities Internal Service Fund
Operating revenues:	
Rental income	\$ 1,098,953
Parking income	<u>80,577</u>
Total operating revenue	<u>1,179,530</u>
Operating expenses:	
Repairs and maintenance costs	64,760
Utilities, security and communications	135,827
Management fees	112,368
Parking lot operations	145,229
Depreciation expense	182,547
Other expense	<u>6,051</u>
Total operating expenses	<u>646,782</u>
Operating income	<u>532,748</u>
Non-operating revenues and expenses:	
Interest income	41,119
Interest expense	<u>(94,544)</u>
Net non-operating revenues (expenses)	<u>(53,425)</u>
Change in net position	479,323
Net Position, July 1, 2019	<u>3,309,762</u>
Net Position, June 30, 2020	<u><u>\$ 3,789,085</u></u>

Sacramento Metropolitan Air Quality Management District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	<u>Governmental Activities Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from rental and parking activities	\$ 1,179,530
Cash paid for goods and services	<u>(447,598)</u>
Net cash provided by operating activities	<u>731,932</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(315,000)
Purchases of capital assets	(64,007)
Interest paid on long-term debt	<u>(94,544)</u>
Net cash used for capital and related financing activities	<u>(473,551)</u>
Cash flows from investing activities:	
Interest and dividends received	<u>5,256</u>
Net cash provided by investing activities	<u>5,256</u>
Net increase in cash and cash equivalents	263,637
Beginning cash balance July 1, 2019	<u>2,201,867</u>
Ending cash balance June 30, 2020	<u><u>\$ 2,465,504</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 532,748
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	182,547
Effects of changes in:	
Accounts payable	<u>16,637</u>
Net cash provided by operating activities	<u><u>\$ 731,932</u></u>

Note 1 - Summary of Significant Accounting Policies**Accounting Policies**

The Sacramento Metropolitan Air Quality Management District (District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District functions under the oversight of its fourteen-member Board of Directors, established and appointed pursuant to Health and Safety Code Section 40980. The District has no component units.

Basis of Presentation***Government-wide financial statements***

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by activity type.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, are included.

The government-wide statement of net position records all of the District's assets and liabilities including capital assets, long-term liabilities, and deferred inflows and deferred outflows of resources.

The government-wide statement of activities presents a comparison between total expenses and program revenues for each function or program of the District's governmental activities. Total expenses are those that are associated with or allocated to a service, program, or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has two major funds for reporting purposes; the General Fund and the Special Revenue Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which includes current assets and liabilities, and the statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The purchase of capital assets and long-term debt proceeds and payments are reflected as revenues and expenditures on these statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. District exchange transactions include the Proprietary Fund building rents and parking revenues and interest revenue.

Imposed non-exchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. District imposed non-exchange transactions include Stationary Source permit fees and renewals, Land Use Mitigation permits, planning service charges, SEED program fees, Title V permits, Agricultural Burning fees, Asbestos Plan Check fees, Air Toxics fees, variances, and settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement Emission Reduction Program (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax, the DMV surcharge, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air) and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 90 days after year-end.

Expenses/Expenditures

The government-wide financial statements are presented using the accrual basis of accounting, where expenses are recognized at the time they are incurred. The focus of governmental fund accounting is short-term. Therefore, expenditures are recorded when paid. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first. Then, unrestricted resources are used as needed.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity or net position, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following major funds:

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Special Revenue Fund** accounts for the resources accumulated and payments made primarily for restricted mobile source and community air protection incentive awards.

The District also reports the following fund type:

The **Proprietary Fund (Internal Service Fund)** reports the ownership and operational revenues and expenses of the District's building along with the long-term debt obligations.

Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and a useful life of greater than one year. They are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Machinery and equipment	2-20
Buildings	39

Compensated Absences

Accumulated unpaid employee vacation benefits and compensated time-off for certain employees in lieu of overtime compensation and/or working on holidays per bargaining agreements are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, a portion of sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension and OPEB plan after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability and net OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense, OPEB expense, net pension liability, and net OPEB liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

In the governmental funds, the District reports revenues not collected within the period of availability as deferred inflows. Accordingly, these amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) health program and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS health program. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

The District reports fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid items) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors. A Board resolution serves as the highest level of commitment.

Assigned Fund Balance reflects amounts intended to be used only for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

Long-Term Liabilities

The District reports long-term liabilities of governmental funds at face value in the government-wide financial statements, and long-term liabilities payable from proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Eliminations and Reclassifications

In the process of aggregating data for the government-wide statements, some amounts reported as inter-fund activity and balances in the fund financial statements, were eliminated or reclassified. Inter-fund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the government activities column. Interfund services provided and used are not eliminated in the process of consolidation.

Use of Estimates

Management is called upon to use estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Implementation of New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards applicable to the year ending June 30, 2020 are as follows:

GASB Statement No. 95 - In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

The District is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB statements:

GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined its effect on the financial statements.

GASB Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District has not determined its effect on the financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined its effect on the financial statements.

GASB Statement No. 90 – *Majority Equity Interests - an amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined its effect on the financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The District has not determined its effect on the financial statements.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

GASB Statement No. 92 – Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District has not determined its effect on the financial statements.

GASB Statement No. 93 –Replacement of Interbank Offered Rates. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The District has not determined its effect on the financial statements.

GASB Statement No. 94 –Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The District has not determined its effect on the financial statements.

GASB Statement No. 96 –Subscription-based Information Technology Arrangements. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The District has not determined its effect on the financial statements.

GASB Statement No. 97 –Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. The District has not determined its effect on the financial statements.

Note 2 - Cash, Cash Equivalents and Investments***Cash and Investments***

As of June 30, 2020, cash and investments were reported in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 55,633,428
Restricted cash and cash equivalents	416,207
	<u>416,207</u>
Total cash and investments	<u>\$ 56,049,635</u>

Cash and investments as of June 30, 2020 consist of the following:

Deposits	
Balance per bank	\$ 4,499,788
Less outstanding checks and deposits	(1,055,569)
Investment in Local Agency Investment Fund	52,189,209
Investments with fiscal agent	416,207
	<u>416,207</u>
Total cash and investments	<u>\$ 56,049,635</u>

Deposits

The carrying amount of the District's cash is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110 percent of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Investments in the Local Agency Investment Fund (LAIF)

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The LAIF financial statements are available at the State Treasurer's Office website at www.treasurer.ca.gov. LAIF is not registered with the Securities and Exchange Commission and is not rated by the credit rating agencies.

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These moneys are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. At June 30, 2020, \$416,207 was held in reserve related to the District's Certificates of Participation (COP) and is invested in a 2a-7 Money Market Mutual Fund. This type of investment primarily invests in short term U.S. Treasury, government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities), agency mortgage-backed securities, and short term high quality municipal obligations that provide income exempt from federal and California state income tax and federal alternative minimum tax. The fund holds AAAM and Aaa-mf ratings from Standard & Poor's and Moody's, respectively.

Moneys in the COPs reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as the lesser of (i) 10 percent of the original principal amount, (ii) an amount equal to the maximum annual Lease payment payable in a Certificate Year by the District, or (iii) 125 percent of the average annual lease payment.

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The valuation of the 2a-7 Money Market Mutual funds held by fiscal agent for the COPS reserve is at one-dollar net asset value (NAV) per share.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum	Maximum	Maximum
U.S. Treasury Notes & Agency Obligations	5 years	100%	N/A
Washington Supranational Obligations	5 years	30%	10%
Municipal Notes	5 years	80%	10%
Registered State Warrants	5 years	80%	10%
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposit/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$65 million	10%
Money Market Mutual Funds	N/A	20%	10%

Note 3 - Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2020:

Governmental Funds:

Sales/Use Tax	\$ 83,111
Intergovernmental:	
State	1,480,253
Federal	2,298,831
Permit/Fees	14,898
Interest Receivable	183,041
Miscellaneous	106,212
	<hr/>
Total	<u><u>\$ 4,166,346</u></u>

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Note 4 - Leases

Operating Leases

The District leases an air monitoring site under an operating lease. Total cost for the lease was \$3,276 for the year ended June 30, 2020. The future minimum lease payments for this lease are as follows:

Year ending June 30:		
2021	\$	3,276
2022		3,276
2023		3,276
2024		3,276
		<hr/>
Total	\$	13,104
		<hr/> <hr/>

Lease Income and Receivables

The District as lessor leases office space to tenants on a fixed monthly fee. Substantially all of the assets classified as capital assets in the proprietary fund are for the purpose of rental or related use. The future minimum rentals for this lease are as follows:

Year ending June 30:		
2021	\$	125,614
2022		129,264
2023		132,914
2024		78,775
		<hr/>
Total	\$	466,567
		<hr/> <hr/>

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,086,652	\$ -	\$ -	\$ 1,086,652
Construction in process	216,374	117,886	-	334,260
Total capital assets, not being depreciated	1,303,026	117,886	-	1,420,912
Capital assets, being depreciated				
Building	5,367,076	64,007	-	5,431,083
Equipment	3,577,467	389,060	(870,739)	3,095,788
Total capital assets, being depreciated	8,944,543	453,067	(870,739)	8,526,871
Less accumulated depreciation:				
Building	(2,460,716)	(182,547)	34,950	(2,608,313)
Equipment	(2,684,544)	(200,671)	827,597	(2,057,618)
Total accumulated depreciation	(5,145,260)	(383,218)	862,547	(4,665,931)
Total capital assets, being depreciated	3,799,283	69,849	(8,192)	3,860,940
Governmental activities capital assets, net	\$ 5,102,309	\$ 187,735	\$ (8,192)	\$ 5,281,852

Depreciation expense is charged to functions and programs based upon usage of the related assets. The amounts allocated to each function or programs are as follows:

Governmental Activities	
Air Monitoring	\$ 127,859
Internal Service Fund	182,547
Unallocated	72,812
	383,218
Total Governmental Activities	\$ 383,218

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Note 6 - Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation	\$ 2,820,000	\$ -	\$ 315,000	\$ 2,505,000	\$ 325,000
Premium	36,396	-	4,907	31,489	4,907
Compensated Absences	1,031,443	1,013,935	832,872	1,212,506	872,665
Total	<u>\$ 3,887,839</u>	<u>\$ 1,013,935</u>	<u>\$ 1,152,779</u>	<u>\$ 3,748,995</u>	<u>\$ 1,202,572</u>

Certificates of Participation

In March 2012, the District refunded the 2002 certificates with the 2012 certificates in the amount of \$4,350,000, with interest rates ranging from 3.00 percent to 4.00 percent. As of June 30, 2020, the principal balance outstanding was \$2,505,000. Proceeds included a bond premium of \$72,382, which will be amortized over the life of the COPs. The agreement includes a provision that in the event of a default or breach, the trustee may declare all lease payments then remaining unpaid be immediately due and owing, without further demand.

The certificates mature as follows:

Year Ending June 30	Principal	Interest	Totals
2021	\$ 325,000	\$ 85,350	\$ 410,350
2022	330,000	75,931	405,931
2023	345,000	65,591	410,591
2024	355,000	53,100	408,100
2025	370,000	38,600	408,600
2026-2027	<u>780,000</u>	<u>31,400</u>	<u>811,400</u>
Total	2,505,000	349,972	2,854,972
Unamortized Premium	<u>31,489</u>	-	<u>31,489</u>
Total	<u>\$ 2,536,489</u>	<u>\$ 349,972</u>	<u>\$ 2,886,461</u>

For the year ended June 30, 2020 total interest expense for the COPs was \$94,544, and principal paid on the COPs was \$315,000.

Note 7 - Risk Management/Claims Liabilities

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties

There have been no significant changes in insurance coverage and the District did not have any settlements that exceeded insurance coverage in any of the past three years.

During the fiscal year ended June 30, 2020, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 8). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

Note 8 - Joint Ventures (Joint Powers Agreement)

The District is a member of the SDRMA, through a Joint Power Agreement (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA arranges for and provides property, liability, error and omissions, auto liability, crime and fidelity, workers' comp and boiler and machinery insurance to its members. SDRMA is governed by a seven-member Board of Directors. Directors are elected at-large from the membership to serve four-year terms. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA.

Condensed audited financial information of SDRMA for the year ended June 30, 2020 (most recent available information) is as follows:

Total Assets	\$ 130,676,871
Deferred Outflows of Resources	595,599
Total Liabilities	70,083,643
Deferred Inflows of Resources	<u>246,193</u>
Net Position	<u>\$ 60,942,634</u>
Total Revenues	\$ 82,459,850
Total Expenses	<u>77,881,779</u>
Net Income (Loss)	<u>\$ 4,578,071</u>

Complete audited financial statements for the JPA can be obtained by contacting SDRMA, 1112 I Street, Suite 300, Sacramento, California 95814.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Nature of Participation

Program	Deductible per Occurance	Annual Coverage Limit
General Liability	\$ 500	\$10,000,000 Per Occurrence
Public Officials and Employees Errors and Omissions	\$ -	\$10,000,000 Per Occurrence/Annual Aggregate
Elected Officials Personal Liability	\$ 500	\$500,000 Per Occurrence/Annual Aggregate per each elected /appointed Board Member/Director
Employment Practices Liability	\$ -	\$10,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	\$ -	\$10,000,000 Per Occurrence/General Aggregate
Employee and Public Officials Dishonesty Coverage	\$ -	\$1,000,000 Per Occurrence
Auto Liability	\$ 1,000	\$10,000,000 Per Occurrence
Uninsured/Underinsured Motorist	\$ -	\$10,000,000 Each Accident
Property Coverage	\$ 1,000	\$1,000,000,000 Each Occurrence
Boiler and Machinery Coverage	\$ 1,000	\$100,000,000 Each Occurrence
Statutory Workers' Comp	\$ -	Statutory Per Occurrence
Cyber Coverage	\$ 25,000	\$2,000,000 Annual Aggregate
Pollution Coverage	Range: \$75,000 - \$2,000,000	\$1,000,000 Blanket Limit per Pollution Condition

Note 9 - Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Note 10 - Employee Retirement Systems

CalPERS

Plan Description

Effective July 1, 1996, all qualified regular and probationary employees began participating in the California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street, Room 3340, Sacramento, California 95811.

Benefits Provided

The benefits for public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. All regular part-time and full-time employees of the District are required to participate in CalPERS. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with 5 years of total service are eligible to retire at age 50 or 52 (depending on the Plan) with statutorily reduced benefits.

The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date:		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	9.68%	6.99%
Final Compensation	36 months	36 months

Funding Policy

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1st following the notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s employer contributions to the Plan for the year ended June 30, 2020 were \$1,670,845.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of \$10,703,922.

The District's net pension liability for the Plan is measured as of June 30, 2019 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2019 was as follows:

	Miscellaneous CLASSIC/PEPRA
Proportion - June 30, 2019	0.2574%
Proportion - June 30, 2020	0.2673%
Change - Increase (Decrease)	0.0099%

For the year ended June 30, 2020, the District recognized pension expense of \$2,802,280. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 510,412	\$ 180,937
Differences between expected and actual experience	743,433	57,601
Net difference between projected and actual investment earnings	-	187,138
Difference between employer's contributions and proportionate share of contributions	-	276,772
Change in employer's proportion	526,367	-
Pension contributions made subsequent to measurement date	1,670,845	-
Total	\$ 3,451,057	\$ 702,448

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

\$1,670,845 reported as deferred outflows of resources relate to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2021	\$ 971,281
2022	(33,186)
2023	101,854
2024	<u>37,815</u>
Total	<u>\$ 1,077,764</u>

Actuarial assumptions

For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Investment Rate of Return	7.15%
Projected Salary Increase	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds (1)

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016 based on the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and assets allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100%</u>		

(a) an expected inflation of 2.00% is used for this period.

(b) an expected inflation of 2.92% is used for this period.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate 6.15%	Current Discount Rate 7.15%	Discount Rate 8.15%
Net Pension Liability	<u>\$ 17,706,719</u>	<u>\$ 10,703,922</u>	<u>\$ 4,923,608</u>

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 11 - Other Postemployment Benefits (OPEB)**General Information about the OPEB Plan**

Plan Description. The District participates in an agent multi-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$139 in calendar year 2020. An additional \$150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2020 the District had 44 retirees participating in the plan.

The District has established an irrevocable trust to fund the OPEB Plan with the California Employers' Retiree Benefit Trust (CERBT).

The CERBT was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. There are three Board approved investment strategies for employers to choose from depending on their expected levels of return and volatility.

Benefits provided. The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefit payments	19
Active employees	92
	<hr/>
Total	<u><u>136</u></u>

Contributions. The contribution rate is determined on an annual basis by an independent actuary. Employees are not required to contribute to the plan. The District's employer contributions to the Plan for the year ended June 30, 2020 were \$262,674.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Actuarial assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.75% per annum
Investment rate of return	6% per annum
Medical trend rates	6.50% in 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for 2023 and later years

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
CERBT		
Global Equity	22%	5.50%
Global Debt Securities	49%	2.35%
Inflation assets	16%	1.50%
Commodities	5%	1.75%
REITs	8%	3.65%
Total	100%	

Discount rate. The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates through the CERBT under its investment allocation strategy 3. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

Changes in the Net OPEB Liability

Change in the net OPEB liability for the measurement date June 30, 2019 is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2019	\$ 2,818,000	\$ 2,017,225	\$ 800,775
Changes for the year:			
Service cost	139,382	-	139,382
Interest	173,500	-	173,500
Differences between expected and actual experience	332,851	-	332,851
Changes of assumptions	172,321	-	172,321
Contributions - employer	-	262,652	(262,652)
Net investment income	-	146,377	(146,377)
Benefit payments	(131,420)	(131,420)	-
Administrative expense	-	(435)	435
Net changes	<u>686,634</u>	<u>277,174</u>	<u>409,460</u>
Balances at June 30, 2020	<u>\$ 3,504,634</u>	<u>\$ 2,294,399</u>	<u>\$ 1,210,235</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current discount rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability	\$ 1,672,659	\$ 1,210,235	\$ 823,759

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% for HMO and PPO decreasing to 4.0%) or 1-percentage-point higher (7.5% for HMO and PPO decreasing to 6.0%) than the current healthcare cost trend rates:

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2020

	1% Decrease (5.50% HMO / 5.50% PPO decreasing to 4.00% HMO / 4.00% PPO)	Healthcare Cost Trend Rates (6.50% HMO / 6.50% PPO decreasing to 5.00% HOM / 5.00% PPO)	1% Decrease (7.50% HMO / 7.50% PPO decreasing to 6.00% HMO / 6.00% PPO)
Net OPEB liability	\$ 852,413	\$ 1,210,235	\$ 1,656,007

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$280,732. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Contributions subsequent to measurement date	\$ 262,674
Net difference between projected and actual earnings on OPEB plan investments	13,271
Differences between expected and actuarial experience	277,376
Changes of assumptions	143,601
Total	\$ 696,922

Contributions made subsequent to the measurement date of \$262,674 that are recorded as a deferred outflow of resources will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2021	\$ 92,372
2022	92,370
2023	85,398
2024	79,911
2025	84,197
Total	\$ 434,248



Required Supplementary Information
June 30, 2020

Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund – Budget to Actual
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales Tax	\$ 1,973,139	\$ 1,973,139	\$ 1,938,341	\$ (34,798)
Fees and Licenses	8,375,412	8,375,412	8,823,399	447,987
Local Government	28,459	28,459	24,604	(3,855)
State	7,278,121	7,278,121	8,717,123	1,439,002
Federal	1,883,857	1,883,857	2,355,903	472,046
Fines, Forfeitures, and Penalties	300,000	300,000	667,716	367,716
Other	54,378	54,378	58,605	4,227
Investment Income	109,168	109,168	185,517	76,349
Total revenues	<u>20,002,534</u>	<u>20,002,534</u>	<u>22,771,208</u>	<u>2,768,674</u>
Expenditures:				
Current:				
Business Compliance	7,651,037	7,651,037	6,579,044	1,071,993
Air Monitoring	5,046,942	5,046,942	3,798,537	1,248,405
Sustainable Land Use	2,297,538	2,297,538	2,383,320	(85,782)
Clean Transportation and Mobility Innovation	2,577,218	2,577,218	2,914,775	(337,557)
Community Health Protection	3,488,553	3,488,553	2,198,364	1,290,189
Capital Outlay	1,905,500	1,905,500	507,044	1,398,456
Total expenditures	<u>22,966,789</u>	<u>22,966,789</u>	<u>18,381,084</u>	<u>4,585,705</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>\$ (2,964,255)</u>	<u>\$ (2,964,255)</u>	<u>\$ 4,390,124</u>	<u>\$ 7,354,379</u>

Sacramento Metropolitan Air Quality Management District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund – Budget to Actual
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State	\$ 30,614,758	\$ 30,614,758	\$ 25,561,536	\$ (5,053,222)
Federal	13,000,000	13,000,000	2,658,930	(10,341,070)
Fines, Forfeitures, and Penalties	67,000	67,000	74,554	7,554
Other	201,030	201,030	77,324	(123,706)
Investment Income	350,000	350,000	781,003	431,003
Total revenues	<u>44,232,788</u>	<u>44,232,788</u>	<u>29,153,347</u>	<u>(15,079,441)</u>
Expenditures:				
Current:				
Clean Transportation and Mobility Innovation	<u>35,350,305</u>	<u>35,350,305</u>	<u>15,906,187</u>	<u>19,444,118</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>\$ 8,882,483</u>	<u>\$ 8,882,483</u>	<u>\$ 13,247,160</u>	<u>\$ 4,364,677</u>

Sacramento Metropolitan Air Quality Management District
Schedule of Changes in the Net OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 127,662	\$ 135,322	\$ 139,382
Interest	151,691	162,804	173,500
Differences between expected and actual experience	-	-	332,851
Changes in assumptions	-	-	172,321
Benefit payments, including refunds of member contributions	<u>(87,179)</u>	<u>(116,408)</u>	<u>(131,420)</u>
Net change in total OPEB liability	192,174	181,718	686,634
Total OPEB liability – beginning	<u>2,444,108</u>	<u>2,636,282</u>	<u>2,818,000</u>
Total OPEB liability – ending (a)	<u><u>\$ 2,636,282</u></u>	<u><u>\$ 2,818,000</u></u>	<u><u>\$ 3,504,634</u></u>
Plan fiduciary net position			
Contributions – employer	\$ 246,101	\$ 248,588	\$ 262,652
Net investment income	64,728	84,654	146,377
Benefit payments, including refunds of member contributions	(87,179)	(116,408)	(131,420)
Administrative expense	(822)	(939)	(435)
Other expense	<u>-</u>	<u>(2,386)</u>	<u>-</u>
Net change in plan fiduciary net position	222,828	213,509	277,174
Plan fiduciary net position – beginning	<u>1,580,888</u>	<u>1,803,716</u>	<u>2,017,225</u>
Plan fiduciary net position – ending (b)	<u>1,803,716</u>	<u>2,017,225</u>	<u>2,294,399</u>
District’s net OPEB liability – ending (a) – (b)	<u><u>\$ 832,566</u></u>	<u><u>\$ 800,775</u></u>	<u><u>\$ 1,210,235</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.42%	71.58%	65.47%
Covered-employee payroll	\$ 9,196,130	\$ 9,373,544	\$ 9,708,765
District’s net OPEB liability as a percentage of covered-employee payroll	9.05%	8.54%	12.47%
Measurement Date	June 30, 2017	June 30, 2018	June 30, 2019

* Fiscal year 2018 was the first year of implementation, therefore only three years are shown.

Sacramento Metropolitan Air Quality Management District
Schedule of the District's OPEB Contributions
Year Ended June 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 221,719	\$ 221,414	\$ 262,674
Contributions in relation to the actuarially required contribution	<u>(248,588)</u>	<u>(221,414)</u>	<u>(262,674)</u>
Contribution deficiency (excess)	<u>\$ (26,869)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,373,544	\$ 9,708,765	\$ 9,827,349
Contributions as a percentage of covered-employee payroll	2.65%	2.28%	2.67%

* Fiscal year 2018 was the first year of implementation, therefore only three years are shown.

Method and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level-percentage of payroll
Amortization period	13 years
Asset valuation method	Market value basis
Inflation	2.5% per annum
Healthcare cost trend rates	6.5% initial, decreasing by 0.5% per year to 5.0%
Salary increases	2.75 per annum, plus merit scale
Investment rate of return	6.0% per annum
Retirement age	According to the retirement rates under the 2017 experience
Mortality	According to the mortality rates under the 2017 experience study for the CalPERS pension plan

Sacramento Metropolitan Air Quality Management District
Schedule of Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.1043%	0.2381%	0.2454%	0.2552%	0.2574%	0.2673%
District's proportionate share of the net pension liability (asset)	\$ 6,489,889	\$ 6,533,370	\$ 8,524,599	\$ 10,060,590	\$ 9,699,002	\$ 10,703,922
District's covered payroll	\$ 8,908,245	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130	\$ 9,373,544	\$ 9,708,765
District's proportionate share of the net pension liability as percentage of covered payroll	72.85%	63.23%	90.47%	109.40%	103.47%	110.25%
Plan fiduciary net position as a percentage of the total pension liability	79.90%	79.89%	75.87%	75.39%	75.26%	75.26%
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019

Changes in assumptions: In 2015, the discount rate was changed from 7.50 percent to 7.65 percent. In 2017, the discount rate was changed from 7.65 percent to 7.15 percent. In 2018, the demographic assumptions and inflation rate changed from 2.75 percent to 2.5 percent.

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

Sacramento Metropolitan Air Quality Management District
Schedule of Pension Contributions
Year Ended June 30, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 1,066,362	\$ 1,190,341	\$ 1,132,308	\$ 1,354,429	\$ 1,443,386	\$ 1,670,845
Contributions in relation to the actuarially determined contributions	<u>1,068,331</u>	<u>1,190,341</u>	<u>1,257,850</u>	<u>1,286,471</u>	<u>1,443,386</u>	<u>1,670,845</u>
Contribution deficiency (excess)	<u>\$ (1,969)</u>	<u>\$ -</u>	<u>\$ (125,542)</u>	<u>\$ 67,958</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130	\$ 9,373,544	\$ 9,708,765	\$ 9,827,349
Contributions as a percentage of covered payroll	11.99%	11.52%	12.02%	14.59%	14.87%	17.00%

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

Note 1 - Budgetary Comparison Schedule

Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The legal level of budgetary control is the classification level.

On or before the last day in February of each year, all divisions of the District submit budget packages to the Administrative Services Manager so that a budget may be prepared. The District notices and holds two public meetings as part of the Sacramento Metropolitan Air Quality Management District Board of Directors meetings in April and May. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings and a final budget or continuing budget resolution must be prepared and adopted no later than June 30th.

The appropriated budget is prepared by fund, function and division. The District's division managers may make transfers of appropriations within an object (e.g. salaries and benefits, services and supplies, capital outlay and inter-fund charges). Transfers of appropriations between objects require the approval of the Board. The legal level of budgetary control is the classification level.



Supplementary Information
June 30, 2020

Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District
 Budgetary Schedules at Legal Level of Budgetary Control – General Fund
 June 30, 2020

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State	\$ 1,928,664	\$ 1,928,664	\$ 3,242,051	\$ 1,313,387
ARB Subvention	349,457	349,457	354,437	4,980
DMV	5,000,000	5,000,000	5,120,623	120,623
Federal	1,883,857	1,883,857	2,355,915	472,058
Fees & Licenses (Other)	868,412	868,412	1,076,378	207,966
Fees & Licenses (Rule 301)	7,507,000	7,507,000	7,747,021	240,021
Local Government	28,459	28,459	24,604	(3,855)
Sales Use Tax	1,973,139	1,973,139	1,938,341	(34,798)
Fines/Forfeitures/Penalties	300,000	300,000	667,716	367,716
Interest	109,168	109,168	185,517	76,349
Other	54,378	54,378	58,605	4,227
Total revenues	20,002,534	20,002,534	22,771,208	2,768,674
Expenditures:				
Employee Services	16,688,251	16,688,251	14,518,535	2,169,716
Services and Supplies	6,489,409	6,489,409	4,604,776	1,884,633
Capital Projects	1,905,500	1,905,500	507,044	1,398,456
Transfers	(2,116,371)	(2,116,371)	(1,249,271)	(867,100)
Total expenditures	22,966,789	22,966,789	18,381,084	4,585,705
Excess /(deficiency) of revenues over(under) expenditures	\$ (2,964,255)	\$ (2,964,255)	\$ 4,390,124	\$ 7,354,379

Sacramento Metropolitan Air Quality Management District
 Budgetary Schedules at Legal Level of Budgetary Control – Special Revenue Fund
 Year Ended June 30, 2020

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State	\$ 28,264,758	\$ 28,264,758	\$ 23,032,485	\$ 5,232,273
DMV	2,350,000	2,350,000	2,529,051	(179,051)
Federal Grants	13,000,000	13,000,000	2,658,930	10,341,070
Fines, Forfeitures, and Penalties	67,000	67,000	74,554	(7,554)
Interest	350,000	350,000	781,003	(431,003)
Other	201,030	201,030	77,324	123,706
Total revenues	<u>44,232,788</u>	<u>44,232,788</u>	<u>29,153,347</u>	<u>15,079,441</u>
Expenditures:				
Services and Supplies	33,233,934	33,233,934	14,656,916	18,577,018
Transfers	2,116,371	2,116,371	1,249,271	867,100
Total expenditures	<u>35,350,305</u>	<u>35,350,305</u>	<u>15,906,187</u>	<u>19,444,118</u>
Excess /(deficiency) of revenues over(under) expenditures	<u>\$ 8,882,483</u>	<u>\$ 8,882,483</u>	<u>\$ 13,247,160</u>	<u>\$ 4,364,677</u>

Statistical Section
June 30, 2020



Sacramento Metropolitan Air Quality Management District

This part of the comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Please note that the District made changes to the activity types in Fiscal Year 2019. As a result, some schedules will show eight years of history with the previous activity types and a second schedule will contain two years of data with the new activity types for a total of 10 years of historical data. It was not feasible to restate prior years. In addition, it was determined in Fiscal Year 2019 that the Proprietary Fund was more properly classified as an Internal Service Fund; in previous years the fund was shown as an Enterprise fund. Prior years have not been restated for this change in fund classification.

Financial Trends

The following schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time:

Schedule 1 – Net Position by Component – Last Ten Fiscal Years

Schedule 2 – Changes in Net Position – Last Ten Fiscal Years

Schedule 3 – Fund Balances of Governmental Funds – Last Ten Fiscal Years

Schedule 4 – Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years

Schedule 5 – General Government Expenditures by Major Object – Last Ten Fiscal Years

Schedule 6 – General Government Expenditures by Functions – Last Ten Fiscal Years

Revenue Capacity

The following schedules present information to help the reader assess the District's own source revenue, permits and fees:

Schedule 7 – General Government Revenues by Source – Last Ten Fiscal Years

Schedule 8 – Own Source Government Revenue – Last Ten Fiscal Years

Operating Information

The following schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

Schedule 9 – Demographic Information – Last Ten Years

Schedule 10 – DMV Registrations (Autos & Trucks) – Last Ten Years

Schedule 11 – Principal Employers – Current Year and Ten Years Ago

Schedule 12 – District Staff Position List – Last Ten Fiscal Years

Schedule 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

Schedule 14 – Capital Assets by Function/Program – Last Ten Fiscal Years

Sacramento Metropolitan Air Quality Management District

Schedule 1 – Net Position by Component –

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30, 2020

	2011	2012	2013	2014
Governmental Activities				
Investment in capital assets, net of related debt	\$ 327,593	\$ 507,625	\$ 653,680	\$ 764,943
Restricted	20,834,838	20,864,065	19,018,128	18,732,929
Unrestricted	-	-	-	792,734
Total governmental activities net position	21,162,431	21,371,690	19,671,808	20,290,606
Business-type Activities				
Investment in capital assets, net of related debt	438,929	403,041	113,259	93,109
Restricted	433,754	424,243	416,252	416,293
Unrestricted	762,937	909,129	1,094,081	1,274,390
Total business-type activities net position	1,635,620	1,736,413	1,623,592	1,783,792
Primary government				
Net investment in capital assets	766,522	910,666	766,939	858,052
Restricted	21,268,592	21,288,308	19,434,380	19,149,222
Unrestricted	762,937	909,129	1,094,081	2,067,124
Total primary government net position	\$ 22,798,051	\$ 23,108,103	\$ 21,295,400	\$ 22,074,398

Notes:

(a) Reflects the new accounting treatment from pension and health liability

(b) The Proprietary Fund was more properly classified as an Internal Service Fund for FY 19 and is included in Governmental Activities component for FY2019 forward.

Source : CAFR Net Position Financial Statement

Sacramento Metropolitan Air Quality Management District

Schedule 1 – Net Position by Component (continued) –

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30, 2020

2015	2016	2017	2018 (a)	2019 (b)	2020
\$ 792,677	\$ 1,111,788	\$ 1,196,123	\$ 1,170,111	\$ 2,245,913	\$ 2,745,363
14,705,749	19,374,392	18,788,183	30,250,374	36,909,801	51,881,357
(900,807)	(157,287)	605,026	(5,625,047)	(3,921,835)	(2,768,037)
<u>14,597,619</u>	<u>20,328,893</u>	<u>20,589,332</u>	<u>25,795,438</u>	<u>35,233,879</u>	<u>51,858,683</u>
232,801	613,133	820,602	984,226	-	-
418,340	416,382	416,575	420,495	-	-
1,331,412	1,190,967	1,142,715	1,575,033	-	-
<u>1,982,553</u>	<u>2,220,482</u>	<u>2,379,892</u>	<u>2,979,754</u>	-	-
1,025,478	1,724,921	2,016,725	2,154,337	2,245,913	2,745,363
15,124,089	19,790,774	19,204,758	30,670,869	36,909,801	51,881,357
430,605	1,033,680	1,747,741	(4,050,014)	(3,921,835)	(2,768,037)
<u>\$ 16,580,172</u>	<u>\$ 22,549,375</u>	<u>\$ 22,969,224</u>	<u>\$ 28,775,192</u>	<u>\$ 35,233,879</u>	<u>\$ 51,858,683</u>

Sacramento Metropolitan Air Quality Management District
Schedule 2 - Changes in Net Position –
Last Ten Fiscal Years
(accrual basis of accounting)
Year Ended June 30, 2020

	2011	2012	2013	2014
Expenses				
Governmental Activities				
Stationary source activities	\$ 5,823,570	\$ 5,864,304	\$ 5,739,977	\$ 5,747,748
Mobile source activities	12,207,979	34,715,045	28,384,959	11,478,921
Program coordination activities	4,286,273	3,973,143	3,768,674	3,836,739
Strategic planning activities	3,548,148	3,650,376	3,677,908	3,772,415
Depreciation expense-unallocated	140,459	125,386	144,940	148,389
Total governmental activities	<u>\$ 26,006,429</u>	<u>\$ 48,328,254</u>	<u>\$ 41,716,458</u>	<u>\$ 24,984,212</u>
Business-type activities				
Building operations and obligations	\$ 760,079	\$ 959,018	\$ 650,968	\$ 641,654
Total primary government expenses	<u>\$ 26,766,508</u>	<u>\$ 49,287,272</u>	<u>\$ 42,367,426</u>	<u>\$ 25,625,866</u>
Program Revenues				
Governmental Activities				
Charges for services				
Stationary source activities	\$ 5,297,300	\$ 4,912,279	\$ 5,431,158	\$ 5,867,492
Mobile source activities	532,447	703,135	824,850	996,018
Program coordination activities	84,794	84,408	96,170	68,314
Strategic planning activities	567,305	470,716	40,839	408,808
Operating grants and contributions				
Stationary source activities	336,324	519,136	401,685	-
Mobile source activities	10,355,463	32,815,391	24,933,316	9,141,087
Program coordination activities	1,086,075	1,274,400	926,954	1,446,883
Strategic planning activities	607,520	625,227	794,100	643,422
Total governmental activities	<u>\$ 18,867,228</u>	<u>\$ 41,404,692</u>	<u>\$ 33,449,072</u>	<u>\$ 18,572,024</u>
Business-type activities				
Building operations and obligations	\$ 807,106	\$ 884,688	\$ 748,642	\$ 795,771
Total primary government program revenues	<u>\$ 19,674,334</u>	<u>\$ 42,289,380</u>	<u>\$ 34,197,714</u>	<u>\$ 19,367,795</u>
Net (Expense) Revenue				
Government activities	\$ (7,139,201)	\$ (6,923,562)	\$ (8,267,386)	\$ (6,412,188)
Business-type activities	47,027	(74,330)	97,674	154,117
Total primary government net (expenses) revenue	<u>\$ (7,092,174)</u>	<u>\$ (6,997,892)</u>	<u>\$ (8,169,712)</u>	<u>\$ (6,258,071)</u>
General revenues				
Governmental activities				
Grants and subventions	\$ 5,696,646	\$ 6,216,082	\$ 6,056,461	\$ 6,614,984
Interest	230,368	204,424	64,378	18,965
Gain on sale of capital assets				
Penalties/Settlements	529,674	712,315	446,663	397,037
Transfers	-	-	-	-
Total governmental activities	<u>\$ 6,456,688</u>	<u>\$ 7,132,821</u>	<u>\$ 6,567,502</u>	<u>\$ 7,030,986</u>
Business-type activities				
Interest	\$ 27,919	\$ 175,123	\$ 10,268	\$ 6,083
Transfers	-	-	-	-
Total business-type activities	<u>27,919</u>	<u>175,123</u>	<u>10,268</u>	<u>6,083</u>
Total Primary government revenue	<u>\$ 6,484,607</u>	<u>\$ 7,307,944</u>	<u>\$ 6,577,770</u>	<u>\$ 7,037,069</u>
Change in net position				
Government activities	\$ (682,513)	\$ 209,259	\$ (1,699,884)	\$ 618,798
Business-type activities	74,946	100,793	107,942	160,200
Total Primary government	<u>\$ (607,567)</u>	<u>\$ 310,052</u>	<u>\$ (1,591,942)</u>	<u>\$ 778,998</u>

Note: For FY 19 activity categories were redefined so this page includes the eight-year period ending 6/30/18. See next page for subsequent fiscal years.

Source : CAFR Statement of Activities

Sacramento Metropolitan Air Quality Management District

Schedule 2 - Changes in Net Position –

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30, 2020

2015	2016	2017	2018
\$ 5,918,050	\$ 6,162,041	\$ 6,222,368	\$ 7,496,314
14,884,085	11,207,276	11,561,366	8,427,228
3,883,548	4,359,691	4,381,093	4,901,319
3,877,953	4,380,829	3,937,606	5,183,744
211,551	209,891	237,940	226,521
<u>\$ 28,775,187</u>	<u>\$ 26,319,728</u>	<u>\$ 26,340,373</u>	<u>\$ 26,235,126</u>
\$ 697,804	\$ 715,125	\$ 877,284	\$ 454,367
<u>\$ 29,472,991</u>	<u>\$ 27,034,853</u>	<u>\$ 27,217,657</u>	<u>\$ 26,689,493</u>
\$ 6,440,801	\$ 6,692,235	\$ 7,235,968	\$ 8,140,016
106,376	153,178	156,288	155,097
265,185	89,163	60,341	154,767
140,712	242,084	310,430	315,248
-	-	-	-
13,910,787	15,076,802	8,932,391	13,690,540
1,442,936	1,438,170	1,438,170	1,596,487
643,422	643,422	643,422	643,422
<u>\$ 22,950,219</u>	<u>\$ 24,335,054</u>	<u>\$ 18,777,010</u>	<u>\$ 24,695,577</u>
\$ 888,592	\$ 943,891	\$ 1,018,795	\$ 1,025,568
<u>\$ 23,838,811</u>	<u>\$ 25,278,945</u>	<u>\$ 19,795,805</u>	<u>\$ 25,721,145</u>
\$ (5,824,968)	\$ (1,984,674)	\$ (7,563,363)	\$ (1,539,549)
190,788	228,766	141,511	571,201
<u>\$ (5,634,180)</u>	<u>\$ (1,755,908)</u>	<u>\$ (7,421,852)</u>	<u>\$ (968,348)</u>
\$ 6,808,183	\$ 7,087,643	\$ 7,347,831	\$ 6,995,834
25,241	5,438	81,700	116,467
16,270	-	-	-
569,708	622,868	394,272	496,575
-	-	-	-
<u>\$ 7,419,402</u>	<u>\$ 7,715,949</u>	<u>\$ 7,823,803</u>	<u>\$ 7,608,876</u>
\$ 7,973	\$ 9,163	\$ 17,899	\$ 28,661
-	-	-	-
7,973	9,163	17,899	28,661
<u>\$ 7,427,375</u>	<u>\$ 7,725,112</u>	<u>\$ 7,841,702</u>	<u>\$ 7,637,537</u>
\$ 1,594,434	\$ 5,731,275	\$ 260,439	\$ 6,069,327
198,761	237,929	159,410	599,862
<u>\$ 1,793,195</u>	<u>\$ 5,969,204</u>	<u>\$ 419,849</u>	<u>\$ 6,669,189</u>

Sacramento Metropolitan Air Quality Management District

Schedule 2 - Changes in Net Position –

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30, 2020

	2019	2020
Expenses		
Governmental Activities		
Business Compliance	\$ 6,762,504	\$ 6,863,473
Air Monitoring	3,649,645	4,099,677
Sustainable Land Use	2,344,711	2,459,163
Clean Transportation and Mobility Innovation	18,821,767	18,993,969
Community Health Protection	2,065,860	2,249,228
Interest on long-term debt	103,843	94,544
Unallocated Depreciation	101,626	72,812
Total primary government	\$ 33,849,956	\$ 34,832,866
Program Revenues		
Governmental Activities		
Charges for services		
Business Compliance	\$ 7,553,612	\$ 8,268,370
Air Monitoring	486,231	506,363
Sustainable Land Use	72,934	153,625
Clean Transportation and Mobility Innovation	-	15,312
Community Health Protection	618,738	838,971
Operating grants and contributions		
Business Compliance	247,581	98,128
Air Monitoring	1,634,076	3,965,427
Sustainable Land Use	277,370	481,535
Clean Transportation and Mobility Innovation	20,182,390	27,888,607
Community Health Protection	829,551	827,702
Total primary government	\$ 31,902,483	\$ 43,044,040
Net (Expense) Revenue		
Total primary government	\$ (1,947,473)	\$ 8,211,174
General revenues		
Grants and subventions	\$ 7,308,273	\$ 7,413,413
Interest	730,405	1,007,653
Gain (loss) on disposal of fixed assets	-	(7,436)
Total general revenue	\$ 8,038,678	\$ 8,413,630
Change in net position for the period	\$ 6,091,205	\$ 16,624,804

Note: For FY 19 activity categories were redefined so this page includes only the periods ending 6/30/19 and 6/30/20. See previous page for additional eight year historical trend.

Source : CAFR Statement of Activities

Sacramento Metropolitan Air Quality Management District

Schedule 3 – Fund Balances of Government Funds –

Last Ten Fiscal Years

(modified accrual basis of accounting)

Year Ended June 30, 2020

	2011	2012	2013	2014
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	12,144,152	12,169,654	11,350,172	10,998,388
Assigned	320,000	320,000	320,000	320,000
Unrestricted	-	-	-	792,734
Total General Fund	<u>\$ 12,464,152</u>	<u>\$ 12,489,654</u>	<u>\$ 11,670,172</u>	<u>\$ 12,111,122</u>
Special Revenue Fund (b)				
Restricted	\$ 9,211,835	\$ 9,267,343	\$ 8,194,251	\$ 8,277,548
Total Special Revenue Fund	<u>\$ 9,211,835</u>	<u>\$ 9,267,343</u>	<u>\$ 8,194,251</u>	<u>\$ 8,277,548</u>

Notes:

(a) GASB Statement 54 replaced the categories that previously had been used to classify fund balance. This schedule reclassifies nonspendable from restricted per that statement.

(b) The Special Revenue Fund was previously referred to as the Emission Technology Fund

Source: CAFR Balance Sheet - Governmental Funds

Sacramento Metropolitan Air Quality Management District
 Schedule 3 – Fund Balances of Government Funds (continued) –
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Year Ended June 30, 2020

2015 (a)	2016	2017	2018	2019	2020
\$ 155,110	\$ 171,675	\$ 190,202	\$ 402,380	\$ 152,580	\$ 98,462
10,287,274	8,796,696	8,061,391	7,811,623	9,572,931	12,588,465
320,000	320,000	320,000	320,000	2,607,673	1,737,431
1,395,878	1,798,521	1,737,137	2,043,980	-	2,298,950
<u>\$ 12,158,262</u>	<u>\$ 11,086,892</u>	<u>\$ 10,308,730</u>	<u>\$ 10,577,983</u>	<u>\$ 12,333,184</u>	<u>\$ 16,723,308</u>
\$ 9,549,952	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751	\$ 26,130,091	\$ 39,377,251
<u>\$ 9,549,952</u>	<u>\$ 15,185,241</u>	<u>\$ 14,623,422</u>	<u>\$ 22,438,751</u>	<u>\$ 26,130,091</u>	<u>\$ 39,377,251</u>

Sacramento Metropolitan Air Quality Management District
Schedule 4 – Changes in Fund Balances of Government Funds –
Last Ten Fiscal Years
(modified accrual basis of accounting)
Year Ended June 30, 2020

	2011	2012	2013
REVENUES			
Taxes	\$ 7,451,650	\$ 8,071,327	\$ 7,929,307
Intergovernmental	11,162,826	34,081,710	25,879,092
Licenses/Permits	6,479,071	6,180,051	6,015,064
Use of Money/Property	230,368	204,424	193,112
Total Revenue	<u>\$ 25,323,915</u>	<u>\$ 48,537,512</u>	<u>\$ 40,016,575</u>
EXPENDITURES			
Current:			
Stationary Sources	\$ 5,822,646	\$ 5,843,577	\$ 5,758,644
Mobile Source	12,207,527	34,704,891	28,394,103
Program coordination	4,285,664	3,959,488	3,780,971
Strategic Planning	3,547,825	3,643,128	3,684,435
Capital Outlay	20,789	305,418	290,995
Total Expenditures	<u>\$ 25,884,451</u>	<u>\$ 48,456,502</u>	<u>\$ 41,909,148</u>
Excess (Deficiency) of Revenue over Expenditures	(560,536)	81,010	(1,892,573)
OTHER FINANCING SOURCES (USES)			
Transfer Out	-	-	-
Gain on sale of capital assets	-	-	-
Net change in fund balances	<u>\$ (560,536)</u>	<u>\$ 81,010</u>	<u>\$ (1,892,573)</u>

Note: For FY 19 activity categories were redefined so this page includes the eight-year period ending 6/30/18. See next page for subsequent years.

Source: CAFR Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Sacramento Metropolitan Air Quality Management District
Schedule 4 – Changes in Fund Balances of Government Funds (continued) –
Last Ten Fiscal Years
(modified accrual basis of accounting)
Year Ended June 30, 2020

2014	2015	2016	2017	2018
\$ 8,334,914	\$ 8,533,576	\$ 8,990,702	\$ 9,141,145	\$ 9,185,904
10,507,331	14,342,930	15,445,047	9,232,418	13,718,592
6,741,800	7,416,470	7,646,441	8,001,079	8,395,134
18,965	60,372	(31,188)	226,170	1,004,824
<u>\$ 25,603,010</u>	<u>\$ 30,353,348</u>	<u>\$ 32,051,002</u>	<u>\$ 26,600,812</u>	<u>\$ 32,304,454</u>
\$ 5,741,059	\$ 6,016,226	\$ 6,501,339	\$ 6,799,202	\$ 6,725,548
11,475,645	14,932,141	11,367,756	11,916,194	8,048,476
3,832,332	3,943,621	4,571,752	4,734,782	4,384,116
3,770,076	3,918,802	4,517,235	4,168,340	4,861,221
259,652	239,283	529,002	322,275	200,510
<u>\$ 25,078,764</u>	<u>\$ 29,050,073</u>	<u>\$ 27,487,084</u>	<u>\$ 27,940,793</u>	<u>\$ 24,219,871</u>
524,246	1,303,275	4,563,918	(1,339,981)	8,084,583
-	-	-	-	-
-	16,270	-	-	-
<u>\$ 524,246</u>	<u>\$ 1,319,545</u>	<u>\$ 4,563,918</u>	<u>\$ (1,339,981)</u>	<u>\$ 8,084,583</u>

Sacramento Metropolitan Air Quality Management District
 Schedule 4 – Changes in Fund Balances of Government Funds (continued) –
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Year Ended June 30, 2020

	2019	2020
REVENUES		
Taxes	\$ 1,940,485	\$ 1,938,341
Intergovernmental	27,729,654	39,318,096
Licenses/Permits	8,109,883	8,823,399
Use of Money/Property	1,340,691	1,844,719
Total Revenue	\$ 39,120,713	\$ 51,924,555
EXPENDITURES		
Current:		
Business Compliance	\$ 6,771,994	\$ 6,579,044
Air Monitoring	3,545,919	3,798,537
Sustainable Land Use	2,347,083	2,383,320
Clean Transportation and Mobility Innovation	18,826,749	18,820,962
Community Health Protection	2,067,758	2,198,364
Capital Outlay	114,569	507,044
Total Expenditures	\$ 33,674,072	\$ 34,287,271
Net change in fund balances	\$ 5,446,641	\$ 17,637,284

Note: For FY 19 activity categories were redefined. This schedule includes the new activity categories for FY2019 forward. See previous page for additional eight-year historical trend.

Source: CAFR Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Sacramento Metropolitan Air Quality Management District
 Schedule 5 – General Government Expenditures by Major Object –
 Last Ten Fiscal Years
 (budgetary basis)
 Year Ended June 30, 2020

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/ Fixed Assets	Interfund Charges	Total
10-11	\$ 11,584,777	\$ 7,033,611	\$ 43,500	\$ 800,000	\$ 19,461,888
11-12	11,946,558	7,324,380	317,000	-	19,587,938
12-13	11,997,789	6,232,631	397,000	-	18,627,420
13-14	12,472,301	5,939,276	180,532	-	18,592,109
14-15	13,018,613	6,742,313	564,532	-	20,325,458
15-16	13,396,624	7,157,659	798,332	-	21,352,615
16-17	13,898,555	7,327,432	1,747,000	-	22,972,987
17-18	14,969,998	6,493,742	881,800	-	22,345,540
18-19	15,811,786	6,728,496	1,164,200	(1,947,586)	21,756,896
19-20	16,688,251	6,489,409	1,905,500	(2,116,371)	22,966,789

Note: The budgeted expenditures represent the adopted budget adjusted for Board approved modifications based on new or modified expenditures.

Source: Approved budget General Fund 100- Revenues and Expenditures

Sacramento Metropolitan Air Quality Management District
 Schedule 6 – General Government Expenditures by Functions –
 Last Ten Fiscal Years
 Year Ended June 30, 2020

Fiscal Year	Salaries & Benefits	Services & Supplies	Interfund Charges	Capital Outlay	Total
10-11	\$ 11,458,660	\$ 4,480,694	\$ 20,789	\$ 783,157	\$ 16,743,300
11-12	11,527,097	4,596,430	305,418	-	16,428,945
12-13	11,817,905	4,290,069	290,995	-	16,398,969
13-14	12,011,320	4,217,453	259,652	-	16,488,425
14-15	12,112,938	4,858,855	239,283	-	17,211,076
15-16	12,959,077	5,584,127	529,002	-	19,072,206
16-17	13,199,676	5,541,055	322,275	-	19,063,006
17-18	13,660,805	5,236,263	200,510	-	19,097,578
18-19	13,619,667	4,836,842	114,569	(1,513,730)	17,057,348
19-20	14,518,535	4,604,776	507,044	(1,249,271)	18,381,084

Note: Expenditures were previously reported in financial statements under the categories of Health & Sanitation (which included Salaries & Benefits, Services & Supplies, Payments to Gov'ts, Interfund Charges) and Capital Outlay.

Source: CAFR Budgetary Schedules at Legal Level of Budgetary Control - General Fund

Sacramento Metropolitan Air Quality Management District

Schedule 7 – General Government Revenues by Source –

Last Ten Fiscal Years

Year Ended June 30, 2020

Fiscal Year	Taxes (a)	Intergovernmental (a)	Licenses/Permits	Use of Money & Property	Other	Total
10-11	\$ 5,498,449	\$ 3,998,568	\$ 6,479,071	\$ 59,403	\$ -	\$ 16,035,491
11-12	5,940,636	4,289,423	6,180,051	44,337	-	16,454,447
12-13	5,862,442	3,637,602	6,015,064	64,380	-	15,579,488
13-14	6,095,314	4,082,326	6,741,800	9,934	-	16,929,374
14-15	6,283,412	3,516,824	7,416,470	25,241	-	17,241,947
15-16	6,609,429	3,739,523	7,779,365	5,438	-	18,133,755
16-17	6,764,376	3,437,689	8,001,079	81,700	-	18,284,844
17-18	6,859,462	3,336,946	9,016,456	153,968	-	19,366,832
18-19	1,940,485	8,238,416	8,281,069	257,341	95,238	18,812,549
19-20	1,938,341	11,097,630	8,823,399	853,233	58,605	22,771,208

Notes:

(a) Prior to FY 19, the DMV surcharge was included in the taxes revenue category. Starting in FY 19, the DMV surcharge is more appropriately classified as Intergovernmental revenue

Source: CAFR Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (General Fund)

Sacramento Metropolitan Air Quality Management District
 Schedule 8 – Own Source Government Revenue –
 Last Ten Fiscal Years
 Year Ended June 30, 2020

Year	Active Permits (a)	Actual Revenue (b)
2011	4,238	4,000,118
2012	4,247	3,905,738
2013	4,269	4,217,601
2014	4,331	4,465,746
2015	4,346	5,059,167
2016	4,344	5,098,778
2017	4,397	5,622,626
2018	4,411	6,393,690
2019	4,461	5,782,368
2020	4,437	6,805,561

Notes:

- (a) Stationary Source Data Base as of June 30. Active permits are Annual Renewal only.
- (b) Annual permit revenue from CAFR WTB for FY 2011-2018. Annual permit revenue from Revenue by Payment Type report from Tyler NW system fo FY 2019 forward.

Source: Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District
 Schedule 9 – Demographic Information –
 Last Ten Fiscal Years
 Year Ended June 30, 2020

Year	County Population	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2011	1,422,316	\$ 53,612,730	\$ 37,700	12.6%
2012	1,436,262	54,861,602	38,202	12.1%
2013	1,448,053	61,370,761	42,382	10.5%
2014	1,462,131	63,512,541	43,438	8.9%
2015	1,514,460	65,391,250	44,139	7.3%
2016	1,501,335	69,870,482	46,539	6.0%
2017	1,514,460	73,922,295	48,850	5.4%
2018	1,520,685	76,832,120	50,197	4.7%
2019	1,537,386	80,969,087	52,544	3.9%
2020	1,541,301	(1)	(1)	3.7%

(1) Not yet available

Sources:

labormarketinfo.edd.ca.gov

County Population

County Total Personal Income

County Per Capita Income

County Unemployment rate

[Sacramento County Profile](#)

Measures of Income

Measures of Income

Measures of Income

Employment and Wages

Sacramento Metropolitan Air Quality Management District
Schedule 10 – DMV Registrations (Autos & Trucks) –
Last Ten Fiscal Years
Year Ended June 30, 2020

Year	Vehicles Registered (As of December 31)
2011	1,141,979
2012	1,142,212
2013	1,179,656
2014	1,208,025
2015	1,274,248
2016	1,313,152
2017	1,300,939
2018	1,317,994
2019	1,357,361
2020	(1)

Source: California Department of Motor Vehicles
<https://www.dmv.ca.gov/portal/dmv-research-reports/>

(1) Data not available

Sacramento Metropolitan Air Quality Management District

Schedule 11 – Principal Employers –

Current Year and Ten Years Ago

Year Ended June 30, 2020

Employer	2010			2020		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	604,300	1	71.0%	696,800	1	74.5%
State Government	111,200	3	13.1%	120,300	2	12.9%
Local Government	109,900	2	12.9%	95,100	3	10.2%
Federal Government	16,000	4	1.9%	14,500	4	1.6%
Farm	9,500	5	1.1%	8,500	5	0.9%
Total All Industries	<u>850,900</u>		<u>100%</u>	<u>935,200</u>		<u>100%</u>

Employment by Industry Data
Geographical Areas-Sacramento MSA

Source: <https://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html>

Sacramento Metropolitan Air Quality Management District

Schedule 12 – District Staff Position List –

Last Ten Fiscal Years

Year Ended June 30, 2020

Classification	Full-Time Equivalent Employees as of June 30			
	2011	2012	2013	2014
Accountant I/II	1.0	-	-	-
Administrative Assistant I/II	2.0	2.0	2.0	2.0
Administrative/Legal Analyst	-	-	-	-
Administrative Specialist I/II	-	-	-	-
Administrative Supervisor/Clerk of the Board	-	-	-	-
Air Pollution Control Officer /Executive Director	1.0	1.0	1.0	1.0
Air Quality Engineer	21.5	20.5	19.5	19.5
Air Quality Engineer/Specialist/Planner	-	-	-	-
Air Quality Instrument Specialist I/II	3.0	3.0	3.0	3.0
Air Quality Planner/Analyst	11.0	10.0	10.0	10.0
Air Quality Specialist	18.6	18.6	18.6	18.6
Assistant Air Pollution Control Officer	-	-	-	-
Communications & Marketing Specialist	1.9	1.9	1.9	1.9
Clerical Services Supervisor	1.0	1.0	1.0	1.0
District Accountant/Controller	1.0	1.0	1.0	1.0
District Counsel	1.0	1.0	1.0	1.0
Division Manager	4.0	3.0	3.0	3.0
Executive Assistant/Clerk to the Board	1.0	1.0	1.0	1.0
Financial Analyst	-	1.0	1.0	1.0
Fiscal Assistant I/II	1.0	1.0	1.0	1.0
Human Resource Assistant I/II	2.0	2.0	2.0	2.0
Human Resources Officer	1.0	1.0	1.0	1.0
Human Resource Technician I/II	-	-	-	-
Information Systems Administrator	1.0	1.0	1.0	1.0
Information Systems Analyst	2.0	2.0	2.0	2.0
Information Systems Manager	-	-	-	-
Legal Assistant I/II	1.0	1.0	1.0	1.0
Office Assistant I/II	3.0	2.0	2.0	2.0
Program Coordinator	13.0	12.0	12.0	12.0
Program Manager	-	-	-	-
Program Supervisor	5.0	5.0	5.0	5.0
Senior Accountant	1.0	1.0	1.0	1.0
Statistician	1.0	1.0	1.0	1.0
Subtotal Funded Positions	99.0	94.0	93.0	93.0
Administrative/Legal Analyst	1.0	1.0	1.0	1.0
Air Quality Engineer	-	1.0	2.0	2.0
Air Quality Planner/Analyst	-	1.0	1.0	1.0
Air Quality Specialist	2.0	2.0	2.0	2.0
Division Manager	-	1.0	1.0	1.0
Human Resource Technician I/II	-	-	-	-
Office Assistant I/II	-	1.0	1.0	1.0
Program Coordinator	-	1.0	1.0	1.0
Program Supervisor	-	-	-	-
Subtotal Unfunded Positions	3.0	8.0	9.0	9.0
Total Funded + Unfunded Positions	102.0	102.0	102.0	102.0

Source: Approved/Amended Budget

Sacramento Metropolitan Air Quality Management District

Schedule 12 – District Staff Position List (continued) –

Last Ten Fiscal Years

Year Ended June 30, 2020

Full-Time Equivalent Employees as of June 30					
2015	2016	2017	2018	2019	2020
-	-	-	-	-	-
2.0	2.0	2.0	-	-	-
-	-	-	-	-	-
-	-	-	2.0	2.0	2.0
-	-	-	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
19.5	20.5	20.5	20.5	19.5	19.5
-	-	-	-	5.5	5.5
3.0	3.0	3.0	3.0	3.0	3.0
10.0	11.0	11.0	10.0	10.0	10.0
18.6	18.6	18.6	19.6	18.6	18.6
-	-	1.0	1.0	-	-
1.9	1.9	1.9	1.9	1.9	1.9
1.0	1.0	1.0	-	-	-
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
4.0	4.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	-	-	-
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	-	-	-
1.0	1.0	1.0	1.0	1.0	1.0
-	-	-	2.0	1.0	1.0
1.0	1.0	-	-	-	-
2.0	2.0	2.0	3.0	3.0	3.0
-	-	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	3.0	3.0	3.0
12.0	12.0	12.0	-	-	-
-	-	-	5.0	5.0	5.0
5.0	5.0	5.0	12.0	12.0	12.0
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
-	-	1.0	1.0	-	-
8.0	6.0	5.0	5.0	3.0	3.0
102.0	102.0	102.0	103.0	102.5	102.5

Sacramento Metropolitan Air Quality Management District
 Schedule 13 – Ratios of Outstanding Debt by Type –
 Last Ten Fiscal Years
 Year Ended June 30, 2020

Fiscal Year	Certificate of Participation	Bond Premium	Total Primary Government	Total Debt as a Percentage of Sacramento County Personal	Total Debt Per Capita for Sacramento County (1)
2011	\$ 4,445,000	\$ 37,941	\$ 4,482,941	8%	3.15
2012	4,350,000	70,747	4,420,747	8%	3.08
2013	4,350,000	65,840	4,415,840	7%	3.05
2014	4,250,000	60,933	4,310,933	7%	2.95
2015	3,980,000	56,026	4,036,026	6%	2.66
2016	3,705,000	51,118	3,756,118	5%	2.50
2017	3,420,000	46,210	3,466,210	5%	2.29
2018	3,125,000	41,305	3,166,305	4%	2.08
2019	2,820,000	36,396	2,856,396	4%	1.86
2020	2,505,000	31,489	2,536,489	(2)	1.65

(1) See Schedule 9 (Demographic Information- Last Ten Years) for personal income and population data

(2) Not yet available

Sacramento Metropolitan Air Quality Management District
 Schedule 14 – Capital Assets by Function/Program –
 Last Ten Fiscal Years
 Year Ended June 30, 2020

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monitoring Air Quality										
Number of air monitoring stations	10	10	10	11	11	11	9	9	8	7
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	76	75	77	89	89	88	82	82	75	74
Vehicles	-	-	19	19	19	23	23	23	23	22

Source: Program Supervisor - Program Coordination Division



Federal Award Section
June 30, 2020

**Sacramento Metropolitan Air Quality
Management District**



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California
January 15, 2021



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the Sacramento Metropolitan Air Quality Management District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
January 15, 2021

Sacramento Metropolitan Air Quality Management District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
U.S Environmental Protection Agency				
Direct Programs				
Air Pollution Control Program Support: 07/01/2019 - 09/30/2019	66.001	A 00903119	\$ 288,378	
Air Pollution Control Program Support: 10/01/2019 - 09/30/2020	66.001	A 00903120	1,212,087	\$ 259,683
Total CFDA 66.001			<u>1,500,465</u>	<u>259,683</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act: 04/1/2015 - 03/31/2020	66.034	PM 00T61201	81,773	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act: 04/1/2020 - 03/31/2021	66.034	PM 98T04201	31,628	
Total CFDA 66.034			<u>113,401</u>	
Total U.S Environmental Protection Agency			<u>1,613,866</u>	<u>259,683</u>
U.S Department of Transportation				
Highway Planning and Construction Cluster:				
Passed through the California Department of Transportation				
Highway Planning and Construction: Spare The Air Year 12	20.205	CML -6236 (017)	40,000	
Highway Planning and Construction: Spare The Air Year 13	20.205	CML -6236 (018)	410,792	
Highway Planning and Construction: Spare The Air Year 14	20.205	CML -6236 (019)	2,921	
Highway Planning and Construction: SECAT Phase III	20.205	CML -6236 (016)	2,116,423	
Passed through Sacramento Area Council of Governments (SACOG)				
Highway Planning and Construction: Transportation Demand Management	20.205	1718014	90,576	
Total Highway Planning and Construction Cluster			<u>2,660,712</u>	
Total U.S Department of Transportation			<u>2,660,712</u>	
Total Expenditures of Federal Awards			<u>\$ 4,274,578</u>	<u>\$ 259,683</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule will show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the District has determined that no identifying number is assigned for the program or the District was unable to obtain an identifying number from the pass-through entity.

Findings and Questioned Costs

Sacramento Metropolitan Air Quality Management District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2020

I. Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster	20.205
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Sacramento Metropolitan Air Quality Management District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

II. Financial Statement Findings

None reported.

Sacramento Metropolitan Air Quality Management District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

III. Federal Award Findings and Questioned Costs

None reported.

Sacramento Metropolitan Air Quality Management District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Summarized below is the current status of all audit findings reported in the prior year audit’s schedule of audit findings and questioned costs.

Finding No.	Program/Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2019-001	Capital Asset Reconciliations	N/A	N/A	Implemented
2019-002	Timely Bank Reconciliations	N/A	N/A	Implemented
2019-003	Financial Reporting	N/A	N/A	Implemented
2019-004	Long-Term Debt Continuing Disclosure	N/A	N/A	Implemented
2019-005	Air Pollution Control Program Support	66.001	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management	Implemented
2019-006	Air Pollution Control Program Support	66.001	Equipment and Real Property Management	Implemented